

## MEMORANDUM

**TO:** THDA Board of Directors and THDA Bond Finance Committee

**FROM:** Tim Rittenhouse, David Jones, and Eric Olson

**SUBJECT:** Bond Issue Authorization Recommendation

**RE:** Residential Finance Program Bonds, Issue 2021-1 (Non-AMT)

**DATE:** January 4, 2021

### Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize a \$200 million Issue 2021-1 under the Residential Housing Finance Program Bond Resolution as new money bonds to fund THDA's mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's pipeline and interest rates at the time.
- Issue 2020-4 closed on October 28, 2020, and THDA expects it to be fully committed as soon as late-January, at which time THDA will begin committing against Issue 2021-1.
- Issue 2021-1, if authorized, is expected to be sold in mid-March for a closing in late-April.
- For Issue 2021-1, CSG recommends Raymond James as book-running senior manager (see our Underwriter Recommendation Memo, submitted separately).

### Background

On September 29, 2020, THDA priced its \$145 million Residential Finance Program Bonds, Issue 2020-4 (Non-AMT), all of which was available to purchase new mortgage loans. As of December 10, approximately \$104 million of Issue 2020-4 proceeds were committed.

When the Issue 2020-4 proceeds are exhausted, THDA will begin to purchase mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2021-1. As soon as late-January, THDA anticipates beginning to build a pipeline of mortgage loans to be funded with Issue 2021-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2021-1, assuming a closing in April.

Issue 2021-1 is expected to replace and refund prior bonds in order to preserve private activity volume cap. No economic refunding component is proposed.

### **Proposed Sizing and Structure**

Authorizing a bond issue of not to exceed \$200 million is expected to allow THDA to continue purchasing mortgage loans through May and perhaps beyond. The ultimate size of the issue will depend on mortgage loan demand until pricing, on interest rates, and on an assessment of negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans).

After Issue 2020-4, THDA has unused volume cap carried forward from 2018 totaling \$420,237,000 that must be used by December 31, 2021. Including potential replacement refunding of non-AMT bonds, Issue 2021-1 is expected to consist entirely of non-AMT bonds given the large amount of 2018 carry forward volume cap that will expire if not used.

Based on current market conditions and investor appetite, structuring Issue 2021-1 to include planned amortization class bonds (“PACs”) to be sold at a premium would significantly lower the issue’s bond yield. PACs are often priced at a premium and most frequently designed with an expected five-year average life, assuming future prepayment speeds over a broad range. Prepayments up to 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed slower than 100% PSA, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA’s average historical prepayment speed is greater than 150% PSA. Also, if the actual sustained prepayment speed is less than 100% PSA, at its option THDA could choose to redeem the PACs up to 100% PSA experience with other available funds in order to maintain the short average life of the PACs.

Three alternative bond structures are shown in Exhibit A. In each case after calculating an estimated bond yield, the spread for tax compliance purposes between the mortgage loan yield and the bond yield was determined. Then, the amount of zero participation loans needed to achieve a tax-exempt yield spread of 1.125% was computed, based on current bond interest rates and THDA’s current mortgage rates.

- **Scenario 1** shows a level-debt issue with no PAC bonds and a tax-exempt yield spread of 0.649%. \$33.8 million of zero participation loans would be consumed to reach the full 1.125% spread.
- **Scenario 2** includes PAC bonds, with the PAC bond repayments spread throughout the overall maturity structure of the issue. The lower yield on the PAC reduces the overall bond yield by approximately 0.20%. This results in an aggregate yield spread of 0.848%. \$20.1 million of zero participation loans would be consumed to bring the issue to a full 1.125% spread.
- **Scenario 3** also includes PAC bonds, but with the scheduled PAC repayments fully back-loaded within the overall maturity structure of the issue. Compared to Scenario 2, this lowers the overall bond yield by 0.06%. This results in an aggregate yield spread of 0.907%. \$15.6 million of zero participation loans would be consumed to reach a full 1.125% spread.

Each of the scenarios summarized above and listed in Exhibit A assume that THDA offers interest rates of 2.75% and 2.25%, respectively, for its Great Choice and Homeownership for the Brave mortgage programs. It should be noted that THDA has accumulated more than \$100 million in zeros that can be used to subsidize new bond issues, such as Issue 2021-1. The amount of zero participation loans that THDA accumulated

helps mitigate for THDA the risk of higher bond rates on future transactions, particularly with fewer economic refunding opportunities over the next few years than in the recent past. At the same time, THDA should seek to begin consuming a portion of the zeros, in view of the large amount that has built up over the last several years.

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds, or super-sinker bonds to assess if further refinement of the structure could offer improvement in the pricing of Issue 2021-1.

Issuing the Issue 2021-1 Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Given the success of THDA's production levels in recent years, THDA has issued tax-exempt bonds at a faster pace than it receives annual allocations of private activity volume cap, which in recent years have totaled around \$420 to 450 million annually. Beginning with Issue 2019-2 and each issuance since, CSG assisted THDA with "replacement refunding" portions of bonds that THDA redeems in its normal course of monthly bond redemptions and using such eligible amounts as volume cap against THDA's bond issues (Issues 2019-2, 2019-3, 2019-4, 2020-1, 2020-3, and 2020-4). By implementing this strategy, THDA has preserved \$150 million of volume cap in those six issues alone and can expect to continue using this approach in future bond issues.

### **Method of Sale**

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

Retail Sales / In-State Selling Group – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

Market Volatility – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility make it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

Complexity and Credit – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

Bond Structure – Though Issue 2021-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater

to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount. A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

Pricing Oversight – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Division of State Government Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, pending statistical releases, and candid independent discussions with uninvolved third-party underwriting desks. In order to manage incentives for the syndicate members and investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

### **Current Market Conditions**

Both the overall fixed income markets and the municipal bond market have been functioning well, providing bond issuers with historically low costs of funds. Stemming from the spread of the coronavirus pandemic, uncertain prospects for economic recovery have sustained a flight to the safety of US Treasuries, keeping yields near record lows. The Federal Reserve has played a highly aggressive role in unseizing bond markets, holding the fed funds rate close to 0%, making heavy purchases of a broad spectrum of bonds, and stabilizing the markets for municipal credits. Such Fed intervention has boosted market confidence and spurred investors to put funds to work.

### **Recommendations**

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2021-1, with a par amount not to exceed \$200 million;
- Delegate to the Authorizing Officer authority to:
  - Establish the principal amount of Issue 2021-1;
  - Establish the structure, sub-series and pricing schedule of Issue 2021-1; and
  - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years.
- Based on current market conditions and for the reasons described above, authorize Issue 2021-1 via a negotiated sale;
- Select Raymond James to serve as book-running senior manager for Issue 2021-1, in view of the continuing value they have provided as a member of THDA's underwriting syndicate (see our Underwriter Recommendation Memo for additional information).

*THDA Issue 2021-1 Bond Issue Authorization Recommendation*  
*CSG Advisors Incorporated*  
*January 4, 2021*

**EXHIBIT A:**  
**PRELIMINARY STRUCTURING ANALYSIS**

## EXHIBIT A: STRUCTURING SCENARIOS

Tennessee Housing Development Agency Issue 2021-1

Prepared by CSG Advisors 12/28/20

|   |         | Scenario 1           | Scenario 2                              | Scenario 3   |
|---|---------|----------------------|---|--|
|   |         | <u>No PAC</u>        | <u>PAC Throughout Maturity Schedule</u> | <u>PAC Fully Backloaded</u>  |
| <b>Structuring Scenario</b>   |         |                      |   |  |
| Including PAC Bonds   |         | No                   | Yes, 2022-2051                          | Yes, 2045-2051   |
| PAC Average Life 100% - 400% PSA (years)                              |         | N/A                  | 5.00                                    | 5.00   |
| Including Overcollateralization                                       |         | No                   | No                                      | No   |
| <b>Issue Amounts</b>  |         |                      |   |  |
| New Money   | Non-AMT | 200,000,000          | 200,000,000                             | 200,000,000  |
| Total   |         | 200,000,000          | 200,000,000                             | 200,000,000  |
| <b>Bond Structure</b>   |         |                      |   |  |
|   |         | <u>Coupon/Yield</u>  |   |  |
| Serials 2022-2033   | Non-AMT | 0.20 - 1.90 %        | 68,700,000 34%                          | 45,310,000 23%   |
| Term 2036   | Non-AMT | 1.950 %              | 15,900,000 8%                           | 10,480,000 5%  |
| Term 2041   | Non-AMT | 2.100 %              | 34,315,000 17%                          | 22,630,000 11%   |
| Term 2046   | Non-AMT | 2.250 %              | 38,230,000 19%                          | 25,215,000 13%   |
| Term 2051   | Non-AMT | 2.350 %              | 42,855,000 21%                          | 28,265,000 14%   |
| PAC 2022 - 2051   | Non-AMT | 3.00 / 0.84 %        | - 0%                                    | 68,100,000 34%   |
| PAC 2045 - 2051   | Non-AMT | 3.00 / 0.84 %        | - 0%                                    | - 0%   |
|   |         |                      | 50,400,000 25%                          |  |
|   |         | 200,000,000 100%     | 200,000,000 100%                        | 200,000,000 100%   |
| <b>Mortgage Production Assumptions</b>                                |         |                      |   |  |
| Great Choice Mortgage Rate 2.75%                                      |         | 196,000,000          | 196,000,000                             | 196,000,000  |
| Homeownership for the Brave Mortgage Rate 2.25%                       |         | 4,000,000            | 4,000,000                               | 4,000,000  |
| Total   |         | 200,000,000          | 200,000,000                             | 200,000,000  |
| <b>Yields if no loan participations in or out</b>                     |         |                      |   |  |
| Mortgage Yield  |         | 2.693%               | 2.693%                                  | 2.693%   |
| Bond Yield  |         | 2.044%               | 1.845%                                  | 1.786%   |
| Yield Spread  |         | 0.649%               | 0.848%                                  | 0.907%   |
| <b>Yields if full 1.125% spread achieved with loan participations</b> |         |                      |   |  |
| Zero Percent Loans (Consumed) from 2019-4                             |         | (38,000,000)         | (38,000,000)                            | (38,000,000)   |
| Zero Percent Loans Created from 2021-1                                |         | 2,900,000            | 17,900,000                              | 22,400,000   |
| Net Zero Percent Loans (Consumed) / Created                           |         | (35,100,000)         | (20,100,000)                            | (15,600,000)   |
| <b>New Volume Cap Needed</b>  |         |                      |   |  |
| 2021-1 (Non-AMT)  |         | 200,000,000          | 200,000,000                             | 200,000,000  |
|   |         | 200,000,000          | 200,000,000<br>(plus PAC premium)       | 200,000,000<br>(plus PAC premium)  |
| <b>Rating Agency Cash Flow Runs</b>                                   |         | No Additional Stress | No Additional Stress                    | Relies on strength of 2013 Resolution for added PAC stress of \$21,400,000 |
| <b>Mortgage Rates and Zero Percent Loans Needed</b>                   |         |                      |   |  |
| A Current Mortgage Rate on New Money Mortgages                        |         | 2.75% GC             | 2.75% GC                                | 2.75% GC   |
| Mortgage Yield  |         | 2.693%               | 2.693%                                  | 2.693%   |
| Bond Yield  |         | 2.044%               | 1.845%                                  | 1.786%   |
| Yield Spread  |         | 0.649%               | 0.848%                                  | 0.907%   |
| Net Zero Percent Loans (Needed) / Created for Full Spread             |         | (35,100,000)         | (20,100,000)                            | (15,600,000)   |
| B GC Mortgage Rate that would Reduce Zeros by 50%                     |         | 2.97%                | 2.88%                                   | 2.85%  |
| Net Zero Percent Loans (Needed) / Created for Full Spread             |         | (17,550,000)         | (10,050,000)                            | (7,800,000)  |
| C GC Mortgage Rate that would Reduce Zeros by 100%                    |         | 3.22%                | 3.02%                                   | 2.96%  |
| Net Zero Percent Loans (Needed) / Created for Full Spread             |         | -                    | -                                       | -  |

## MEMORANDUM

**TO:** THDA Bond Finance Committee, Division of State Government Finance, and THDA

**FROM:** David Jones, Tim Rittenhouse, and Eric Olson

**SUBJECT:** Underwriter Recommendation  
Residential Finance Program Bonds, Issue 2021-1

**DATE:** January 4, 2021

### Background

In January 2018, THDA’s Bond Finance Committee selected a new underwriting team consisting of co-senior managers Citigroup, Raymond James, and RBC; co-managers JP Morgan and Wells Fargo, with a third position to be filled by a selling group member based on performance on THDA’s prior bond issue. In October 2020, the Bond Finance Committee extended the term of the current underwriting team for an additional year through calendar year 2021.

The purpose of this memo is to recommend firms to serve on THDA’s Issue 2021-1 as:

1. book-running senior manager; and
2. elevated selling group member.

### 1. Book-Running Senior Manager

Table 1 shows the firms that served as book-running senior managers on THDA’s recent bond issues.

**TABLE 1: BOOK-RUNNING SENIOR MANAGERS, RECENT THDA BOND ISSUES**

| Bond Issue | Par Amount of Bonds Issued (\$ millions) | Book-Running Senior Manager |
|------------|--|-----------------------------|
| 2018-1     | \$ 99.9                                  | Raymond James               |
| 2018-2     | 160.0                                    | RBC Capital Markets         |
| 2018-3     | 149.9                                    | Citigroup Global Markets    |
| 2018-4     | 225.0                                    | Raymond James               |
| 2019-1     | 175.0                                    | RBC Capital Markets         |
| 2019-2     | 200.0                                    | Citigroup Global Markets    |
| 2019-3     | 150.0                                    | Raymond James               |
| 2019-4     | 200.0                                    | RBC Capital Markets         |
| 2020-1     | 200.0                                    | Citigroup Global Markets    |
| 2020-2     | 108.5                                    | Raymond James               |
| 2020-3     | 145.0                                    | RBC Capital Markets         |
| 2020-4     | 145.0                                    | Citigroup Global Markets    |

Rather than select the book-running senior manager based on a fixed rotation, according to the latest underwriter selection by the Bond Finance Committee, the book-running senior manager will be selected

from among the two firms who did not serve as the senior book-running manager on the last bond issue, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, THDA reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management,
- Willingness to underwrite unsold bonds,
- Offering of additional credit resources (lines of credit, etc.)

Raymond James continues to perform very well when selected as the book-running senior manager, evidenced by aggressive pricing of Issue 2020-2, the last issue the firm senior-managed for THDA. When senior managing prior issues, Raymond James has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. Since pricing Issue 2020-2 in May, Raymond James has continued to successfully manage and achieve good pricing results for other state housing finance agencies (including Florida, Georgia, Mississippi, and West Virginia).

Given their continued performance as a leading underwriter of municipal housing bonds, we recommend that Raymond James serve as book-running senior manager for Issue 2021-1.

## 2. Elevated Selling Group Member

The following table shows the retail performance of each selling group member for Issue 2020-4, for which Robert W. Baird acted as the third co-manager based on its performance on Issue 2020-3.

**TABLE 2: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2020-4 (thousands)**

| Selling Group Member   | Retail Orders   | Final Allotments |
|------------------------|-----------------|------------------|
| <b>Robert W. Baird</b> | <b>\$ 1,250</b> | <b>\$ 1,250</b>  |
| Duncan Williams        | 500             | 500              |
| FHN Financial          | 0               | 0                |
| Wiley Bros. - Aintree  | 0               | 0                |
| <b>TOTAL</b>           | <b>\$ 9,160</b> | <b>\$ 5,440</b>  |

Based on final retail allotments on Issue 2020-4, Robert W. Baird qualified to be the selling group member elevated to co-manager for THDA's Issue 2021-1.

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit 1.



**EXHIBIT 1: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,  
LAST THREE BOND ISSUES**

**THDA UNDERWRITER PERFORMANCE SUMMARY -- 2020-2, 2020-3, and 2020-4 (\$ thousands)**

|                                  | 2020-2 (RJ lead, Baird co)<br>108,500 |            | 2020-3 (RBC lead, Wiley co)<br>145,000 |            | 2020-4 (Citi lead, Baird co)<br>145,000 |            | Combined 2020-2 to 2020-4<br>398,500 |            |
|----------------------------------|---------------------------------------|------------|--|------------|---|------------|--------------------------------------|------------|
|                                  | Orders                                | Allotments | Orders                                 | Allotments | Orders                                  | Allotments | Orders                               | Allotments |
| <b>Citigroup</b>                 |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 15                                    | 15         | 515                                    | 365        | 2,480                                   | 2,480      | 3,010                                | 2,860      |
| National Retail                  | 155                                   | 55         | 1,650                                  | 650        | 72,980                                  | 25,480     | 74,785                               | 26,185     |
| Net Designated                   | 12,275                                | 1,255      | 0                                      | 0          | 288,770                                 | 100,970    | 301,045                              | 102,225    |
| Member                           | 17,000                                | 0          | 14,000                                 | 0          | 0                                       | 0          | 31,000                               | 0          |
| Total                            | 29,445                                | 1,325      | 16,165                                 | 1,015      | 364,230                                 | 128,930    | 409,840                              | 131,270    |
| <b>Raymond James</b>             |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 13,620                                | 9,145      | 6,010                                  | 4,145      | 3,500                                   | 3,500      | 23,130                               | 16,790     |
| National Retail                  | 13,925                                | 1,250      | 2,320                                  | 505        | 1,025                                   | 295        | 17,270                               | 2,050      |
| Net Designated                   | 444,345                               | 89,050     | 28,775                                 | 2,505      | 33,230                                  | 8,765      | 506,350                              | 100,320    |
| Member                           | 2,470                                 | 2,055      | 0                                      | 0          | 40,000                                  | 0          | 42,470                               | 2,055      |
| Total                            | 474,360                               | 101,500    | 37,105                                 | 7,155      | 77,755                                  | 12,560     | 589,220                              | 121,215    |
| <b>RBC Capital Markets</b>       |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 0                                     | 0          | 10,245                                 | 7,545      | 0                                       | 0          | 10,245                               | 7,545      |
| National Retail                  | 0                                     | 0          | 39,065                                 | 8,365      | 350                                     | 150        | 39,415                               | 8,515      |
| Net Designated                   | 0                                     | 0          | 896,130                                | 112,700    | 0                                       | 0          | 896,130                              | 112,700    |
| Member                           | 21,025                                | 500        | 0                                      | 0          | 22,000                                  | 0          | 43,025                               | 500        |
| Total                            | 21,025                                | 500        | 945,440                                | 128,610    | 22,350                                  | 150        | 988,815                              | 129,260    |
| <b>J.P. Morgan</b>               |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 0                                     | 0          | 0                                      | 0          | 150                                     | 150        | 150                                  | 150        |
| National Retail                  | 0                                     | 0          | 125                                    | 60         | 715                                     | 615        | 840                                  | 675        |
| Member                           | 6,000                                 | 0          | 10,000                                 | 0          | 10,000                                  | 0          | 26,000                               | 0          |
| Total                            | 6,000                                 | 0          | 10,125                                 | 60         | 10,865                                  | 765        | 26,990                               | 825        |
| <b>Wells Fargo</b>               |                                       |            |  |            |   |            |                                      |            |
| National Retail                  | 3,200                                 | 3,200      | 2,175                                  | 270        | 2,145                                   | 375        | 7,520                                | 3,845      |
| Net Designated                   | 250                                   | 250        | 4,130                                  | 450        | 0                                       | 0          | 4,380                                | 700        |
| Member                           | 500                                   | 50         | 10,000                                 | 0          | 20,000                                  | 0          | 30,500                               | 50         |
| Total                            | 3,950                                 | 3,500      | 16,305                                 | 720        | 22,145                                  | 375        | 42,400                               | 4,595      |
| <b>Duncan-Williams</b>           |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 0                                     | 0          | 2,250                                  | 1,625      | 500                                     | 500        | 2,750                                | 2,125      |
| Total                            | 0                                     | 0          | 2,250                                  | 1,625      | 500                                     | 500        | 2,750                                | 2,125      |
| <b>FHN Financial</b>             |                                       |            |  |            |   |            |                                      |            |
| National Retail                  | 0                                     | 0          | 200                                    | 100        | 0                                       | 0          | 200                                  | 100        |
| Member                           | 4,000                                 | 0          | 4,000                                  | 0          | 0                                       | 0          | 8,000                                | 0          |
| Total                            | 4,000                                 | 0          | 4,200                                  | 100        | 0                                       | 0          | 8,200                                | 100        |
| <b>Robert W. Baird &amp; Co.</b> |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 625                                   | 625        | 2,755                                  | 2,110      | 1,200                                   | 1,200      | 4,580                                | 3,935      |
| National Retail                  | 50                                    | 50         | 140                                    | 90         | 50                                      | 50         | 240                                  | 190        |
| Total                            | 675                                   | 675        | 2,895                                  | 2,200      | 1,250                                   | 1,250      | 4,820                                | 4,125      |
| <b>Wiley Bros-Aintree</b>        |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 1,000                                 | 1,000      | 9,465                                  | 1,515      | 0                                       | 0          | 10,465                               | 2,515      |
| Net Designated                   | 0                                     | 0          | 10,000                                 | 2,000      | 0                                       | 0          | 10,000                               | 2,000      |
| Total                            | 1,000                                 | 1,000      | 19,465                                 | 3,515      | 0                                       | 0          | 20,465                               | 4,515      |
| <b>TOTAL</b>                     |                                       |            |  |            |   |            |                                      |            |
| Tennessee Retail                 | 15,260                                | 10,785     | 31,240                                 | 17,305     | 7,830                                   | 7,830      | 54,330                               | 35,920     |
| National Retail                  | 17,330                                | 4,555      | 45,675                                 | 10,040     | 77,265                                  | 26,965     | 140,270                              | 41,560     |
| Net Designated                   | 456,870                               | 90,555     | 939,035                                | 117,655    | 322,000                                 | 109,735    | 1,717,905                            | 317,945    |
| Member                           | 50,995                                | 2,605      | 38,000                                 | 0          | 92,000                                  | 0          | 180,995                              | 2,605      |
| Total                            | 540,455                               | 108,500    | 1,053,950                              | 145,000    | 499,095                                 | 144,530    | 2,093,500                            | 398,030    |

TENNESSEE HOUSING DEVELOPMENT AGENCY  
PLAN OF FINANCING  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2021-1  
January 21, 2021

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2021-1 (the “Bonds”), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”).

The aggregate principal amount of the Bonds shall not exceed \$200,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the “Authorized Officer”) upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA’s Bond Counsel and may take into account the following limitations and other factors:

- (1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and
- (2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution, the General Homeownership Program Bond Resolution (the “1985 Resolution”); or under the General Housing Finance Resolution (the “2009 Resolution”) to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and
- (3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans financed from available THDA funds prior to the availability of proceeds from the Bonds; and
- (4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and
- (5) the availability of THDA’s funds, subject to the review of the Authorized Officer, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and
- (6) the amount of resources (loans and cash) available under the 1985 General Resolution to overcollateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION  
OF PROCEEDS:

Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the General Resolution, the 1985 Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof; and (iii) other uses as specified below in approximately the following amounts:

- 90% for single-family first lien Program Loans and refinancing outstanding bonds;
- 8% for bond reserve;
- 1% for capitalized interest; and
- 1% for cost of issuance and underwriter's discount/fee.

DATE, METHOD AND  
TERMS OF SALE:

The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than June 30, 2021. THDA will prepare for the sale with the aid of its financial advisor, CSG Advisors Incorporated, and its bond counsel, Kutak Rock.

MATURITIES:

The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, and/or discounted or premium bonds as may be determined by the Authorized Officer. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.

BOND INTEREST RATES:

The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.

REDEMPTION TERMS:

The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.

LOAN INTEREST RATES AND  
COST OF ADMINISTRATION:

Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid.

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS, ISSUE 2021-1  
January 26, 2021

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on January 21, 2021, approved a plan of financing for Residential Finance Program Bonds, Issue 2021-1 (the “Bonds”) in an aggregate par amount not to exceed \$200,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”) and to be sold by competitive or negotiated sale, all at the election of the Authorized Officer; and

WHEREAS, THDA on January 26, 2021, adopted a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 5, 2021, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the “Code”), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the “Preliminary Official Statement”) to prospective purchasers and to make available to the respective purchasers a final official statement (the “Official Statement”) with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Authorized Officer to proceed with the issuance and sale of the Bonds to provide funds for THDA’s programs in accordance with the Plan of Financing and this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY AS FOLLOWS:

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee is appointed as the authorized officer (the “Authorized Officer”) and is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.

2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed \$200,000,000, with the final terms, all as determined by the Authorized Officer pursuant to the Plan of Financing and upon the recommendation of THDA’s Financial Advisor, and the Executive Director, with the approval of THDA’s Bond Counsel, is hereby authorized.

3. The resolution titled “A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, \$\_\_\_\_\_ Issue 2021-1A (Non-AMT), and \$\_\_\_\_\_ Issue 2021-1B (Federally Taxable), (the “Supplemental Resolution”), in the form attached hereto, is adopted, subject to the provisions contained herein.

4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor’s written approval.

5. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds; (f) approve a final principal amount or amounts, not

to exceed a par amount of \$200,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion, may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement or purchase agreements in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

8. The Authorized Officer is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) purchase agreements in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

9. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

10. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on January 26, 2021.

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**TENNESSEE HOUSING DEVELOPMENT AGENCY**

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**A Supplemental Resolution**

**Authorizing the Sale of**

**Residential Finance Program Bonds**

**\$\_\_\_\_\_ Issue 2021-1A (Non-AMT)**

**\$\_\_\_\_\_ Issue 2021-1B (Federally Taxable)**

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Adopted January 26, 2021  
as approved in its amended and supplemented form  
by the its Designated Authorized Officer  
on \_\_\_\_\_, 2021

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**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF  
RESIDENTIAL FINANCE PROGRAM BONDS  
\$ \_\_\_\_\_ ISSUE 2021-1A (Non-AMT)  
\$ \_\_\_\_\_ ISSUE 2021-1B (Federally Taxable)**

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution may hereafter be cited by THDA as the Issue 2021-1 Supplemental Residential Finance Program Bond Resolution.

**Section 1.02. Definitions.**

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

[“*400% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2021-1 Bonds (including Program Securities [and the Transferred Program Loans]) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

“*Bond Purchase Agreements*” means, collectively, the Issue 2021-1A Bond Purchase Agreement and the Issue 2021-1B Bond Purchase Agreement.

“*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

“*Co-Managers*” means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and [\_\_\_\_\_]].

“*Code*” shall mean the Internal Revenue Code of 1986, as amended.

“*Designated Authorized Officer*” means the Secretary of the Bond Finance Committee or, in the absence of the Secretary of the Bond Finance Committee, an officer designated by the Secretary of the Bond Finance Committee.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Excess 2021-1 Principal Payments*” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2021-1 Bonds (including Program Securities [and the Transferred Program Loans]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2021-1 Bonds.

“*Issue 2021-1 Bonds*” means, together, the Issue 2021-1A Bonds and the Issue 2021-1B Bonds.

“*Issue 2021-1A Bond Purchase Agreement*” means the contract for the purchase of the Issue 2021-1A Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“*Issue 2021-1A Bonds*” means the Issue 2021-1A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2021-1A PAC Bonds*” means the Issue 2021-1A Bonds in the aggregate principal amount of \$\_\_\_\_\_ maturity on \_\_\_\_\_.]

[“*Issue 2021-1A PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2021-1A PAC Bonds expected to be redeemed upon the receipt of Excess 2021-1 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“*Issue 2021-1A Serial Bonds*” means the Issue 2021-1A Bonds which are not Issue 2021-1A Term Bonds.

“*Issue 2021-1A Term Bonds*” means, collectively, the Issue 2021-1A Bonds maturing \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

“*Issue 2021-1B Bond Purchase Agreement*” means the contract for the purchase of the Issue 2021-1B Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

“*Issue 2021-1B Bonds*” means the Issue 2021-1B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[“*Issue 2021-1B PAC Bonds*” means the Issue 2021-1B Bonds in the aggregate principal amount of \$\_\_\_\_\_ maturity on \_\_\_\_\_.]

[“*Issue 2021-1B PAC Bonds Planned Amortization Amount*” means the cumulative amount of Issue 2021-1B PAC Bonds expected to be redeemed upon the receipt of Excess 2021-1 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

“*Issue 2021-1B Serial Bonds*” means the Issue 2021-1B Bonds which are not Term Bonds.

“*Issue 2021-1B Term Bonds*” means, collectively, the Issue 2021-1B Bonds maturing \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

“*Issue Date*” means the date on which the Issue 2021-1 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on \_\_\_\_\_, 2021.

“*MSRB*” means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2021 used in connection with the sale of the Issue 2021-1 Bonds.

[“*PAC Bonds*” means, collectively, the Issue 2021-1A PAC Bonds and the Issue 2021-1B PAC Bonds .]

[“*PAC Bonds Planned Amortization Amount*” means, collectively, the Issue 2021-1A Planned Amortization Amount and the 2021-1B Planned Amortization Amount.]

“*Preliminary Official Statement*” means the Preliminary Official Statement dated \_\_\_\_\_, 2021 used in connection with the offering of the Issue 2021-1 Bonds.

“*Rating Agency*” shall mean Moody’s Investors Service, Inc. (or any successor thereto), and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (or any successor thereto).

[“*Refunded Bonds*” means, the THDA bonds [listed in Exhibit D hereto][set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2021-1 Bonds.]

“*Resolution*” means this Supplemental Resolution adopted by THDA on January 26, 2021, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2021.

“*Serial Bonds*” means, collectively, the Issue 2021-1A Serial Bonds and the Issue 2021-1B Serial Bonds.

“*Term Bonds*” means, collectively, the Issue 2021-1A Term Bonds and the Issue 2021-1B Term Bonds.

[“*Transferred Investments*” means amounts on deposit in certain funds and accounts of THDA allocated to the Refunded Bonds which are allocated to the Issue 2021-1 Bonds upon the refunding of the Refunded Bonds.]

[“*Transferred Proceeds*” means the sum of \$\_\_\_\_\_ on deposit in the Issue 2021-1 Bond Subaccount of the Loan Fund subsequent to the refunding of the Refunded Bonds.]

[“*Transferred Program Loans*” means the Program Loans allocable to the Refunded Bonds which are allocated to the Issue 2021-1 Bonds upon the refunding of the Refunded Bonds.]

“*Underwriters*” means, collectively, [Raymond James & Associates, Inc., RBC Capital Markets, LLC and Citigroup Global Markets Inc.], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2021-1 Bonds.

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

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term “Program Loan” as used herein shall include Transferred Program Loans, as well as new Program Loans, and, without duplication, Program Securities, and the phrase “Program Loans allocable to the Issue 2021-1 Bonds” shall include the Transferred Program Loans as well as any new Program Loans and Program Securities acquired with proceeds of the Issue 2021-1 Bonds.]

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

## ARTICLE II

### TERMS AND ISSUANCE

**Section 2.01. Issue Amount and Designation.** In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2021-1A are hereby authorized to be issued (as tax-exempt and/or taxable) in the aggregate principal amount of \$\_\_\_\_\_, and Residential Finance Program Bonds, Issue 2021-1B are hereby authorized to be issued in the aggregate principal amount of \$\_\_\_\_\_. In addition to the title “Residential Finance Program Bond,” the Issue 2021-1 Bonds will bear the additional designation “Issue 2021-1A [(Non-AMT)] and “Issue 2021-1B [(Federally Taxable)],” as appropriate. The Issue 2021-1 Bonds shall be issued only in fully registered form. The Issue 2021-1A Bonds will consist of \$\_\_\_\_\_ principal amount of Serial Bonds and \$\_\_\_\_\_ principal amount of Term Bonds. The Issue 2021-1B Bonds will consist of \$\_\_\_\_\_ principal amount of Serial Bonds and \$\_\_\_\_\_ principal amount of Term Bonds.

**Section 2.02. Purposes.** [The Issue 2021-1A Bonds and [a portion of] the Issue 2021-1B Bonds are being issued to refund the Refunded Bonds. As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2021-1 Bonds.] [A portion of] the Issue 2021-1B Bonds are being issued (a) to finance Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2021-1 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2021-1 Bonds. [ As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2021-1 Bonds.]

The proceeds of the Issue 2021-1 Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

**Section 2.03. Amounts, Maturities and Interest Rates.**

(a) The Issue 2021-1 Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [January 1, 2021], at the rate set opposite such date in the following tables:

**Issue 2021-1A Bonds**

**Serial Bonds**

| <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
|                      | \$                      | %                    |                      | \$                      | %                    |

**Term Bonds**

| <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|----------------------|-------------------------|----------------------|
|                      | \$                      | %                    |

**Issue 2021-1B Bonds**

**Serial Bonds**

| <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
|                      | \$                      | %                    |                      | \$                      | %                    |

## Term Bonds

| <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> |
|--------------------------|-----------------------------|--------------------------|
|                          | \$                          | %                        |

(b) Whenever the due date for payment of interest on or principal of the Issue 2021-1 Bonds or the date fixed for redemption of any Issue 2021-1 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

### **Section 2.04. Denominations, Numbers and Letters.**

(a) The Issue 2021-1 Bonds of each series maturing in each year are to be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2021-1 Bonds of each series maturing in such year. The Issue 2021-1 Bonds are to be lettered “R-4A,” or “R-4B,” as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2021-1 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2021-1 Bond will be outstanding for each maturity and interest rate of each series of the Issue 2021-1 Bonds in the aggregate principal amount of such maturity, interest rate and series. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2021-1 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2021-1 Bonds will not receive certificates representing their interest in the Issue 2021-1 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2021-1 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2021-1 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

**Section 2.05. Paying Agent.** The Trustee is hereby appointed as paying agent for the Issue 2021-1 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

**Section 2.06. Execution of Bonds.** The Issue 2021-1 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2021-1 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2021-1 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2021-1 Bonds upon instructions from THDA to that effect.

**Section 2.07. Place of Payment; Record Date.** While the Issue 2021-1 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of

principal, Redemption Price and interest on the Issue 2021-1 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2021-1 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2021-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2021-1 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2021-1 Bonds in a principal amount equal to or exceeding \$1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2021-1 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

**Section 2.08. Sinking Fund Redemption Provisions.**

(a) The Issue 2021-1 Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2021-1 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

**Issue 2021-1A Term Bonds due \_\_\_\_\_**

| <b>Date</b> | <b>Amount<br/>Due</b> | <b>Date</b> | <b>Amount<br/>Due</b> |
|-------------|-----------------------|-------------|-----------------------|
|             | \$                    |             | \$                    |

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

**Issue 2021-1B Term Bonds due \_\_\_\_\_**

| <b>Date</b> | <b>Amount<br/>Due</b> | <b>Date</b> | <b>Amount<br/>Due</b> |
|-------------|-----------------------|-------------|-----------------------|
|             | \$                    |             | \$                    |

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

(b) Upon the purchase or redemption of Issue 2021-1 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2021-1 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2021-1 Bonds of such



series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2021-1 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

**Section 2.09. Optional Redemption.** The Issue 2021-1 Bonds maturing on and after [January 1, 2030] [other than the PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [July 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [July 1, 2029] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

| <u>Period</u>                | <u>PAC Bond<br/>Redemption Price</u> |
|------------------------------|--------------------------------------|
| [January 1, 2030] to [_____] | [_____]%                             |
| [_____] and thereafter       | [_____]                              |

**Section 2.10. Special Optional Redemption.** The Issue 2021-1 Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of the Issue 2021-1 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including Program Securities [and the Transferred Program Loans]) allocated to the Issue 2021-1 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2021-1 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2021-1 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that the PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2021-1 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if

applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2021-1 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2021-1 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

### **Section 2.11. Special Mandatory Redemptions.**

(a) ***Unexpended Proceeds.*** The Issue 2021-1 Bonds are subject to mandatory redemption on \_\_\_\_\_ in the event and to the extent that there are unexpended proceeds of the Issue 2021-1 Bonds on deposit in the Issue 2021-1 Subaccount of the Loan Fund on \_\_\_\_\_; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 4.01 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2021-1 Bonds are subject to mandatory redemption on \_\_\_\_\_, \_\_\_\_\_, to the extent any amounts remain on deposit in the Issue 2021-1 Subaccount of the Loan Fund on \_\_\_\_\_, \_\_\_\_\_.

The redemption price of the Issue 2021-1 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2021-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2021-1 Bonds then Outstanding.

(b) ***[Excess 2021-1 Principal Payments (PAC Bonds).*** The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2021-1 Principal Payments. Any Excess 2021-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [January 1, 2021]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2021-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Issue 2021-1 Bonds (including Program Securities [and the Transferred Program Loans]) are equal to or less than the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2021-1 Principal Payments shall first be applied to redeem the PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose

permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Issue 2021-1 Bonds (including Program Securities [and the Transferred Program Loans]) are in excess of the 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2021-1 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the PAC Bonds Planned Amortization Amount (as set forth in “FIRST” above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2021-1 Principal Payments which is in excess of 400% PSA, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2021-1 Bonds then Outstanding.

The PAC Bonds Planned Amortization Amount and the 400% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent PAC Bonds are redeemed from amounts on deposit in the Issue 2021-1 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule.**

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2021-1 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2021-1 Bonds (including Program Securities [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2021-1 Bonds (or the date of original issuance of the bonds refunded by the Issue 2021-1 Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2021-1 Bonds on or before the next Interest Payment Date with respect to the Issue 2021-1 Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2021-1 Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2021-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that the PAC Bonds may be redeemed in an amount that exceeds the PAC Bonds Planned Amortization Amount only if there are no other Issue 2021-1 Bonds Outstanding.

**Section 2.12. Selection by Lot.** If less than all of the Issue 2021-1 Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

**Section 2.13. Purchase of Bonds by THDA or Trustee.** Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

### **ARTICLE III**

#### **SALE AND DELIVERY**

##### **Section 3.01. Sale.**

(a) The Issue 2021-1 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Board of Directors of THDA hereby authorizes the Designated Authorized Officer to approve the purchase price of the Issue 2021-1 Bonds and to execute the Bond Purchase Agreement.

(b) The Designated Authorized Officer of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2021-1 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Designated Authorized Officer are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2021-1 Bonds to the public is hereby authorized and approved.

(c) The Issue 2021-1 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2021-1 Supplemental Resolution.

### **ARTICLE IV**

#### **DISPOSITION OF PROCEEDS AND OTHER MONEYS**

**Section 4.01. Loan Fund; Bond Reserve Fund Requirement.** Upon receipt of the proceeds of the sale of the Issue 2021-1 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2021-1 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2021-1 Bonds. Amounts on deposit in the Issue 2021-1 Bond Subaccount of the Loan Fund in excess of \$\_\_\_\_\_, [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities), or participations therein, in accordance with the provisions of the General Resolution and Section 4.03 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment

of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Amounts on deposit in the Issue 2021-1 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Issue 2021-1 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2021-1 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2021-1 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2021-1 Bonds shall not exceed 2% of the proceeds of the Issue 2021-1 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2021-1 Bond Subaccount of the Loan Fund which are to be used to finance Program Loans (including Program Securities) (or other available funds of THDA), shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) until \_\_\_\_\_, 2021.

The Bond Reserve Fund Requirement with respect to the Issue 2021-1 Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to the Issue 2021-1 Bonds plus the amount on deposit in the Issue 2021-1 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

**Section 4.02. Proceeds of Issue 2021-1A Bonds and Issue 2021-1B Bonds.** Proceeds of the Issue 2021-1A Bonds and Issue 2021-1B Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited in the Issue 2021-1 Bond Subaccount of the Loan Fund. On the Issuance Date, \$\_\_\_\_\_ of the amount on deposit in the Issue 2021-1 Bond Subaccount of the Loan Fund (representing [the principal] [a portion of] the proceeds of the Issue 2021-1A Bonds and the [entire proceeds of the] Issue 2021-1B Bonds [in the aggregate amount of \$\_\_\_\_\_ [and available funds of THDA in the amount of \$\_\_\_\_\_]]) shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans [and the Transferred Proceeds] shall be credited to the Issue 2021-1 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

**Section 4.03. Program Loan Determinations.** No Program Loan shall be financed with proceeds of the Issue 2021-1 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing.

In addition, the Program Loan must either:

- (a) have been pooled into a Program Security; or
- (b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or
- (c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or
- (d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

## ARTICLE V

### FORM OF BONDS, AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

**Section 5.01. Form of Bonds.** Subject to the provisions of the General Resolution, the Issue 2021-1 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

**Section 5.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication.** The Issue 2021-1 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2021-1A (Non-AMT)] [Issue 2021-1B (Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

## ARTICLE VI

### MISCELLANEOUS

**Section 6.01. No Recourse Against Members or Other Persons.** No recourse may be had for the payment of principal of or premium or interest on the Issue 2021-1 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2021-1 Bonds and neither the members of THDA nor any person executing the Issue 2021-1 Bonds may be liable personally on the Issue 2021-1 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

**Section 6.02. Bonds not Debt, Liability or Obligation of the State or the United States of America.** The Issue 2021-1 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2021-1 Bonds. The Issue 2021-1 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2021-1 Bonds.

**Section 6.03. Delivery of Projected Cash Flow Statements.** THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

**Section 6.04. Authorized Officers.** The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

**Section 6.05. Authorized Trustee.** THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

**Section 6.06. Covenant to Comply with Federal Tax Law Requirements.** THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the

Issue 2021-1 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2021-1 Bonds from time to time.

**Section 6.07. Continuing Disclosure Undertaking.**

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2021-1 Bonds:

(i) principal and interest payment delinquencies;

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

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;



(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2021-1 Bonds, or other material events affecting the tax status of the Issue 2021-1 Bonds;

(vii) modifications to rights of the holders of the Issue 2021-1 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2021-1 Bonds, if material;

(xi) rating changes;

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

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

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

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

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

For the purposes of the events identified in clauses (xv) and (xvi) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2021-1 Bonds or defeasance of any Issue 2021-1 Bonds need not be given pursuant to this Section 6.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2021-1 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 6.07 shall be for the benefit of the beneficial owners of the Issue 2021-1 Bonds whether or not the Rule applies to such Issue 2021-1 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2021-1 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2021-1 Bonds or (B) the holders of the Issue 2021-1 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2021-1 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2021-1 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 6.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 6.07 may be enforced by any beneficial owner of the Issue 2021-1 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 6.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 6.07 shall be instituted in a court of competent jurisdiction in the State.

**Section 6.08. Confirmation and Adjustment of Terms by Designated Authorized Officer.** The terms of the Issue 2021-1 Bonds are herein established subject to confirmation by the Designated Authorized Officer upon the approval of the sale of the Issue 2021-1 Bonds by the Designated Authorized Officer. The Designated Authorized Officer is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2021-1 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Designated Authorized Officer determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

**Section 6.09. Effective Date.** This Resolution will take effect immediately.

**EXHIBIT A**

**BOND PURCHASE AGREEMENT**

**EXHIBIT B**

**[PLANNED AMORTIZATION AMOUNTS FOR PAC BONDS]**

**Date**

**PAC Bonds  
Planned Amortization Amount**

**[[400]% PSA PREPAYMENT AMOUNTS  
FOR ISSUE 2021-1 BONDS]**

| <b>Date</b> | <b>Cumulative<br/>Amount</b> | <b>Date</b> | <b>Cumulative<br/>Amount</b> |
|-------------|------------------------------|-------------|------------------------------|
|-------------|------------------------------|-------------|------------------------------|

**EXHIBIT C**

**FORM OF BOND**

**REGISTERED**

**R- [4A][4B]**

**[\$\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY  
RESIDENTIAL FINANCE PROGRAM BOND  
ISSUE 2021-1[A][B] [(Non-AMT)][( FEDERALLY TAXABLE)]**

| <b>Interest Rate</b> | <b>Dated Date</b> | <b>Maturity Date</b> | <b>Cusip</b> |
|----------------------|-------------------|----------------------|--------------|
| [__]%                | [____], 2021      | [_____]              | 880461[____] |

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL SUM: [\_\_\_\_\_]**

**TENNESSEE HOUSING DEVELOPMENT AGENCY** (hereinafter sometimes called “THDA”), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the “State”), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA’s obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [January 1, 2021]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated “Residential Finance Program Bonds” (herein called the “Bonds”) authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the “Act”), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled “General Residential Finance Program Bond Resolution” (herein called the “General Resolution”) and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds

issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated “Issue 2021-1[A][B]” (herein called the “Bonds”) issued in the aggregate principal amount of \$\_\_\_\_\_ under the General Resolution, a resolution of THDA adopted on January 26, 2021, as approved in its amended and supplemented form by the Designated Authorized Officer on \_\_\_\_\_, 2021 (collectively with the General Resolution, the “Resolutions”). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the “Trustee”) and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner’s attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner’s attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving



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

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

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

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT  
AGENCY

By \_\_\_\_\_  
Michael L. Hedges  
Chair  
[SEAL]

Attest:

By \_\_\_\_\_  
Ralph M. Perrey  
Executive Director

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2021-1[A][B] [(Non-AMT)][(Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Signatory

Dated: \_\_\_\_\_, 2021



**EXHIBIT D**  
**REFUNDED BONDS**

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUTHORIZING REIMBURSEMENT OF THDA  
FROM PROCEEDS OF ISSUE 2021-1  
January 26, 2021

WHEREAS, the Tennessee Housing Development Agency (“THDA”) is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the “Code”), and the General Residential Finance Program Bond Resolution, (the “2013 General Resolution”); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2021-1, if and when issued and sold (the “Bonds”), through the direct purchase of eligible mortgage loans; and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the “Closing”); and

WHEREAS, THDA expects that up to \$70,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THDA THAT:

1. Use of proceeds from the Bonds in an amount not to exceed \$70,000,000 shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2013 General Resolution.
2. This resolution shall take effect immediately.