NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2010-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2010-1A Bonds and the Issue 2010-1B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2010-1A Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), (iii) interest on the Issue 2010-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2010-1C Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2010-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2010-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY

Homeownership Program Bonds

$25,000,000 Issue 2010-1A (Non-AMT)†
$6,475,000 Issue 2010-1B (Non-AMT)
$89,225,000 Issue 2010-1C (AMT)

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2010-1A Bonds (the "Issue 2010-1A Bonds"), the Issue 2010-1B Bonds (the "Issue 2010-1B Bonds"), and the Issue 2010-1C Bonds (the "Issue 2010-1C Bonds" and, together with the Issue 2010-1A Bonds and the Issue 2010-1B Bonds, the "Issue 2010-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form only in the principal amount of $5,000 or any integral multiple thereof and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix G "Book-Entry-Only System." Interest on the Offered Bonds is payable on January 1, 2011, and semiannually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are general obligations of the Tennessee Housing Development Agency ("THDA") payable from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds and other funds of THDA legally available therefor.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its General Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about October 13, 2010.

BofA MERRILL LYNCH

RBC CAPITAL MARKETS **MORGAN KEEGAN & COMPANY, INC.**

CITI **RAYMOND JAMES & ASSOCIATES, INC.**

M R BEAL & COMPANY **WILEY BROS.—AINTREE CAPITAL LLC**

September 23, 2010

---

†Interest on the Issue 2010-1A Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX MATTERS" herein and "APPENDIX I – Proposed Form of Legal Opinion."

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOMEOWNERSHIP PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$25,000,000 Issue 2010-1A (Non-AMT)†

$18,910,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP[(1)] Number	Principal Amount Due July 1	Interest Rate	CUSIP[(1)] Number
2014				$ 715,000	1.450%	88045RPZ9
2015	$ 715,000	1.800%	88045RPH9	720,000	1.900	88045RPJ5
2016	725,000	2.125	88045RPK2	735,000	2.200	88045RPL0
2017	745,000	2.450	88045RPM8	755,000	2.500	88045RPN6
2018	760,000	2.750	88045RPP1	775,000	2.750	88045RPQ9
2019	1,085,000	2.950	88045RPR7	1,110,000	2.950	88045RPS5
2020	1,140,000	3.150	88045RPT3	1,170,000	3.150	88045RPU0
2021	905,000	3.300	88045RPV8	875,000	3.300	88045RPW6
2022	2,960,000	3.450	88045RPX4	3,020,000	3.450	88045RPY2

$6,090,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP[(1)] Number
July 1, 2025	$6,090,000	3.75%	88045RQA3

$6,475,000 Issue 2010-1B (Non-AMT)

$6,475,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP[(1)] Number	Principal Amount Due July 1	Interest Rate	CUSIP[(1)] Number
2011				$915,000	0.350%	88045RQN5
2012	$915,000	0.750%	88045RQC9	985,000	0.850	88045RQD7
2013	375,000	1.050	88045RQE5	380,000	1.100	88045RQF2
2014	390,000	1.375	88045RQG0	395,000	1.450	88045RQH8
2015	405,000	1.800	88045RQJ4	415,000	1.900	88045RQK1
2016	425,000	2.125	88045RQL9	435,000	2.200	88045RQM7
2017	440,000	2.450	88045RQB1			

$89,225,000 Issue 2010-1C (AMT)

$35,705,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP[(1)] Number	Principal Amount Due July 1	Interest Rate	CUSIP[(1)] Number
2011	$ 525,000	1.100%	88045RQP0	$1,590,000	1.200%	88045RQQ8
2012	1,600,000	1.500	88045RQR6	1,780,000	1.600	88045RQS4
2013	2,165,000	1.850	88045RQT2	2,175,000	1.950	88045RQU9
2014	2,170,000	2.125	88045RQV7	1,280,000	2.200	88045RQW5
2015	1,285,000	2.550	88045RQX3	1,295,000	2.650	88045RQY1
2016	1,305,000	2.950	88045RQZ8	1,315,000	3.050	88045RRA2
2017	1,330,000	3.250	88045RRB0	1,795,000	3.300	88045RRC8
2018	1,825,000	3.600	88045RRD6	1,850,000	3.600	88045RRE4
2019	1,580,000	3.800	88045RRF1	1,600,000	3.800	88045RRG9
2020	1,615,000	4.000	88045RRH7	1,640,000	4.000	88045RRJ3
2021	1,995,000	4.125	88045RRK0	1,990,000	4.125	88045RRL8

$53,520,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP[(1)] Number
January 1, 2025	$40,000,000	3.75%	38045RRN4
July 1, 2025	13,520,000	4.50	38045RRM6

PRICE OF ALL ISSUE 2010-1 BONDS: 100%

†Interest on the Issue 2010-1A Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX MATTERS" herein and "APPENDIX I – Proposed Form of Legal Opinion."

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. THDA shall not be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

CSG Advisors Incorporated
Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Homeownership Program Bonds
$25,000,000 Issue 2010-1A (Non-AMT)†
$6,475,000 Issue 2010-1B (Non-AMT)
$89,225,000 Issue 2010-1C (AMT)

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Homeownership Program Bonds, Issue 2010-1A in the aggregate principal amount of $25,000,000 (the "Issue 2010-1A Bonds"), Issue 2010-1B in the aggregate principal amount of $6,475,000 (the "Issue 2010-1B Bonds") and Issue 2010-1C in the aggregate principal amount of $89,225,000 (the "Issue 2010-1C Bonds" and, together with the Issue 2010-1A Bonds and the Issue 2010-1B Bonds, the "Issue 2010-1 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Homeownership Program Bond Resolution, adopted by THDA on June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 27, 2010, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on September 23, 2010 (the "Issue 2010-1 Supplemental Resolution"). The General Resolution and the Issue 2010-1 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee, which consists of the Chairman of THDA, the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2010-1 Bonds on July 26, 2010. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of July 31, 2010 (unaudited), Bonds in the aggregate principal amount of $1,637,570,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $85,940,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution") and bonds in the aggregate principal amount of $474,255,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution").

Bonds issued under the Resolution, including the Offered Bonds, are and will be general obligations of THDA, payable from (i) the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Debt Service Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS" and (ii) other funds of THDA legally available therefor. All bonds issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 8-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. 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 principal or interest on the Bonds.

† Interest on the Issue 2010-1A Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX MATTERS" herein and "APPENDIX I – Proposed Form of Legal Opinion."

THDA's Program Loan portfolio, which (together with items referenced above) secures all Bonds outstanding under the Resolution, includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of July 31, 2010 (unaudited), 21,082 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $1,710,755,941. Based on the outstanding principal balance of Program Loans as of July 31, 2010, approximately 63.37% were FHA insured, approximately 3.48% were VA guaranteed, approximately 19.24% were insured by private mortgage insurance companies, approximately 10.71% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.20% were uninsured (i.e. Program Loans for which the borrower has at least a 25% equity interest in the residence on the date of closing or at least a 22% equity interest in the residence on the date of closing for Program Loans closed on or after July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects to use the proceeds from the issuance of the Issue 2010-1B Bonds and the Issue 2010-1C Bonds to refund certain bonds outstanding under the General Resolution (the "Refunded Bonds"). As a result of the refunding, mortgage loans (excluding participations therein) previously allocable to the Refunded Bonds in an expected aggregate outstanding amount of approximately $118,365,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "HOUSING FINANCE PROGRAM LOANS—Description of the Transferred Program Loans" for information about the Transferred Program Loans. In addition, Debt Service Reserve Fund investments and Revenue Fund investments allocable to the Refunded Bonds in the projected amount of approximately $11,200,039 and $4,763,678.29, respectively, will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments").

THDA expects to use proceeds from the issuance of the Issue 2010-1A Bonds, and a contribution from THDA, to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay cost of issuance, underwriter's fees and other transaction costs; and (iv) fund the Debt Service Reserve Fund, if needed. See "APPLICATION OF BOND PROCEEDS". The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Description of Homeownership Loan Programs" and in Appendix H.

All Program Loans to be financed with lendable proceeds of the Offered Bonds, will be made in accordance with the Homeownership Program Procedures described in Appendix H. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Homeownership Program follows, together with summaries of the terms of the Bonds, the Resolution and certain provisions of the Act and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix G "Book-Entry Only System" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest at the rates indicated on the inside front cover page of this Official Statement. The Offered Bonds will bear interest from the date of delivery. Interest on the Offered Bonds is payable on January 1, 2011, and semiannually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2010-1A Term Bonds maturing on July 1, 2025, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2010-1A
Term Bonds Due July 1, 2025

Year	Amount Due January 1	Amount Due July 1
2023	$ 950,000	$ 975,000
2024	995,000	1,040,000
2025	1,065,000	1,065,000 (maturity)

The Issue 2010-1C Term Bonds maturing on January 1, 2025 (the "Super Sinker Bonds") are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2011, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2010-1C
Term Bonds Due January 1, 2025

Year	Amount Due January 1	Amount Due July 1
2011	$ 340,000	$1,065,000
2012	1,085,000	865,000
2013	1,120,000	1,140,000
2014	1,170,000	1,185,000
2015	1,210,000	1,235,000
2016	1,255,000	1,280,000
2017	1,300,000	1,325,000
2018	1,345,000	1,370,000
2019	1,395,000	1,415,000
2020	1,440,000	1,460,000
2021	1,485,000	1,510,000
2022	1,540,000	1,565,000
2023	1,925,000	1,955,000
2024	1,980,000	2,015,000
2025	2,025,000 (maturity)	

The Issue 2010-1C Term Bonds maturing on July 1, 2025, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2010-1C
Term Bonds Due July 1, 2025

Year	Amount Due January 1	Amount Due July 1
2023	$1,795,000	$1,830,000
2024	1,885,000	1,925,000
2025	1,990,000	4,095,000 (maturity)

Optional Redemption of Offered Bonds. The Offered Bonds maturing on or after July 1, 2020, are subject to redemption at the option of THDA, as a whole or in part, at any time, on or after January 1, 2020, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Optional Redemption of Offered Bonds, including Cross Calls. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) repayments and prepayments of Program Loans allocated to the Offered Bonds not otherwise required to be applied to the redemption of Super Sinker Bonds as described below under "Special Mandatory Redemption of Super Sinker Bonds" or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds; (ii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses and to the extent not recycled into additional Program Loans. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has not sold any Program Loans to date and has no current plans to sell Program Loans in the future. The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered 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. The Offered Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Offered Bonds to be so redeemed. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS - THDA Redemption Practices".

Special Mandatory Redemption of Super Sinker Bonds. The Super Sinker Bonds are subject to redemption prior to maturity, in whole or in part at a redemption price of 100% of the principal amount of such Super Sinker Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Fund representing Excess 2010-1 Principal Payments (as defined below). Any Excess 2010-1 Principal Payments so deposited in the Redemption Fund shall be applied to the redemption of Super Sinker Bonds at least once during each semi-annual period ending January 1, or July 1, commencing January 1, 2011.

"Excess 2010-1 Principal Payments" means 100% of all repayments and prepayments on the Program Loans and Transferred Program Loans allocable to the Offered Bonds to the extent such repayments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds or otherwise are required to be recycled into new Program Loans in order to comply with mortgage yield restrictions imposed by the Code.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds, repayments and prepayments of principal of the Transferred Program Loans or portions thereof received on or after the closing date and repayments and prepayments of principal of Program Loans or portions thereof financed with proceeds of the Issue 2010-1A Bonds received on or after October 13, 2020, shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Such amounts shall be applied to the redemption of the Super Sinker Bonds until there are no Super Sinker Bonds outstanding. Thereafter, THDA shall direct the redemption of the Offered Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be redeemed.

Redemption of Issue 2010-1A Bonds from Unexpended Proceeds. The Issue 2010-1A Bonds are subject to redemption, at the election of THDA, in whole or in part on any date at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable, from proceeds of the Issue 2010-1A Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Issue 2010-1A Bonds are subject to mandatory redemption on April 13, 2014, in the event and to the extent that there are unexpended proceeds of the Issue 2010-1A Bonds on deposit in the Issue 2010-1 Bonds Subaccount of the Loan Fund, at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable. THDA shall direct the redemption of the Issue 2010-1A Bonds pro rata among all maturities of such Issue 2010-1A Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Issue 2010-1A Bonds to be so redeemed.

Selection By Lot

If less than all of the Issue 2010-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2010-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than thirty (30) days before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix G – Book-Entry-Only System for a discussion of DTC practices.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2010-1 Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES	
Proceeds of Offered Bonds (Par Amount)	$ 120,700,000.00
Transferred Program Loans	118,365,000.00
Transferred Investments	15,963,717.29
THDA Contribution	989,001.28
TOTAL SOURCES	$ 256,017,718.57
USES	
Deposit to Loan Fund[(1)]	$ 143,365,000.00
Redemption of Refunded Bonds	95,700,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	4,763,678.29
Deposit to Debt Service Reserve Fund	11,200,039.00
Cost of Issuance	178,957.00
Underwriter Fee	810,044.28
TOTAL USES	$ 256,017,718.57

---

(1) Includes $25,000,000 in proceeds from Issue 2010-1A plus approximately $118,365,000 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are general obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution, and other funds of THDA legally available for the payment of the principal or redemption price of and interest on the Bonds. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan (See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO" for information about Program Loans);

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund;

(c) All Funds and Accounts created by the Resolution, including the Debt Service Reserve Fund, and monies and securities therein, except amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION");

(d) Any monies paid by the State and deposited in the Debt Service Reserve Fund pursuant to the Act and the Resolution;

(e) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution; and

(f) Any other funds of THDA legally available therefor.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Debt Service Reserve Fund

The Act authorizes THDA to establish one or more reserve funds to be known as debt service reserve funds. In accordance with the Act and the Resolution, THDA has established a Debt Service Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Debt Service Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest required to be made and becoming due on all Bonds then outstanding for the then current or any succeeding State fiscal year (July 1 to June 30) or any succeeding calendar year, whichever is greater (the "Debt Service Reserve Fund Requirement"). On the date of issuance of the Offered Bonds, the Debt Service Reserve Fund will contain an amount at least equal to the Debt Service Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Debt Service Reserve Fund to the Debt Service and Expense Account.

The Act establishes a mechanism for certifying an amount, if any, needed to restore the Debt Service Reserve Fund to an amount equal to the maximum amount of principal, or sinking fund payments, and interest, maturing, required to be made and becoming due in any succeeding state fiscal year on THDA's bonds. These provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts. Under the Constitution of the State, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. With respect to any sum so certified by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration in accordance with the Act, the General Assembly is authorized to appropriate, to expend and to provide for the payment of such sum, but is not legally required to do so. THDA has covenanted in the Resolution to comply with the provisions of the Act relating to the requisite certification by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration concerning the Debt Service Reserve Fund and has also covenanted to make and deliver such certification annually on or before November 1 and to deposit all monies received pursuant to any such certification into the Debt Service Reserve Fund. THDA has never requested the State to appropriate monies for the Debt Service Reserve Fund or for any other debt service reserve fund established pursuant to the Act or any other bond resolution of THDA.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Offered Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Offered Bonds Projected Cash Flow Statement"). The Offered Bonds Projected Cash Flow Statement has been based, among other assumptions, on the assumption that (i) Transferred Program Loans in the aggregate principal amount of approximately $118,365,000, with a weighted average maturity of approximately 219 months and a weighted average interest rate of approximately 6.43%, will be allocated to the Offered Bonds upon the refunding of the Refunded Bonds and (ii) THDA originates approximately $25,000,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.80%; approximately $22,850,000 of which are participations for which none of the interest is allocable to the Offered Bonds. See

"ASSUMPTIONS REGARDING OFFERED BONDS – Program Loans". The Offered Bonds Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Offered Bonds Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on Offered Bonds

The Offered Bonds Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Transferred Program Loans and the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Offered Bonds Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on Transferred Program Loans and the Program Loans will be received 30 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans, or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Offered Bonds Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2010-1 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. In addition, THDA may use amounts made available as a result of the issuance of Offered Bonds to finance New Start Program Loans or may blend such amounts with proceeds of other bonds of THDA to finance Program Loans. See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Description of Homeownership Programs" and Appendix H "HOMEOWNERSHIP PROGRAM PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Offered Bonds Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of Issue 2010-1A Bonds, will be first-lien, thirty-year, fixed-rate mortgages, bearing interest at a weighted average of 4.80%; approximately $22,850,000 of which are participations for which none of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance Program Loans at competitive interest rates. THDA generally establishes interest rates for its Program Loans when Bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of Program Loans for each issue of Bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

THDA issued $300,000,000 aggregate principal amount of its Housing Finance Program Bonds, Issue 2009-B (the "Issue 2009-B Bonds") in December, 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the "New Issue Bond Program") announced by the United States Department of the Treasury, Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in an escrow account established under the General

Housing Finance Resolution adopted by THDA on November 19, 2009 ("2009 General Resolution"). The Issue 2009-B Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011 (each such date, a "Release Date").

The release of amounts held in escrow to become available to purchase mortgage loans depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the 2009 General Resolution, including a requirement that THDA shall have sold additional bonds to investors in accordance with standard bond underwriting practices (the "Market Bonds") in an aggregate principal amount at least equal to two-thirds of the amount of funds released. In order to release all amounts held in escrow, THDA must issue a minimum of $200,000,000 aggregate principal amount of Market Bonds. On June 17, 2010, THDA released its first tranche of Issue 2009-B Bonds in the principal amount of $85,290,000 and, simultaneously therewith, issued Market Bonds in an aggregate principal amount of $56,860,000. THDA currently expects to finance a significant portion of its mortgage loan financing activities under the 2009 General Resolution until all proceeds of the Issue 2009-B Bonds have been released from escrow.

Notwithstanding the foregoing, the Issue 2010-1A Bonds are being issued to provide funds to finance participating Program Loans in order to cause the yield on the Program Loans and Transferred Program Loans allocable to the Offered Bonds to comply with mortgage yield limitations under the Code. It is anticipated, however, that THDA will blend such proceeds with moneys made available under the 2009 General Resolution through the purchase of participation interests in the mortgage loans financed thereunder. THDA expects to release its second tranche of Issue 2009-Bonds and, simultaneously therewith, issue Market Bonds, all prior to December 31, 2010, the proceeds of which will be blended with proceeds of the Offered Bonds to continue its program of financing mortgage loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Offered Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

For a description of recent origination experience of THDA, see the chart under the heading "HOMEOWNERSHIP PROGRAM BONDS – Origination Experience" herein.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

On May 1 and May 2, 2010, unprecedented rain and flooding occurred in West Tennessee, including Memphis, and Middle Tennessee, including Nashville. As a result of this rain and flooding, extensive damage was sustained with respect to buildings and homes, including homes purchased with Program Loans as well as homes that may have been the subject of commitments for financing under the Program. THDA has determined that these events affected no more than one hundred (100) Program Loans.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past year a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress may pass consumer protection and bankruptcy legislation as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. Such legislation, if enacted, could have an adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. No assurance can be given whether the THDA, or THDA Servicers, will commence the modification of the THDA's single family mortgage loans pursuant to such guidelines. See Appendix D under the heading "The Program".

The March 4, 2009, guidelines referred to above stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. At present, THDA cannot predict what effect modifications of FHA-insured loans under HAMP would have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Bonds. As of July 31, 2010, approximately 63.37% by aggregate principal balance of Program Loans were FHA insured.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans, (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has not sold any Program Loans to date and has no current plans to sell Program Loans in the future. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution (the "Bond Resolutions") and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Offered Bonds was based upon an assumed prepayment level; (ii) be used to redeem bonds of the related series; (iii) be used to redeem bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for

Offered Bonds – Special Mandatory Redemption of Super Sinker Bonds," "- Special Optional Redemption of Offered Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The General Resolution and the Bond Resolutions specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Issue 2010-1 Bonds."

THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the General Resolution and/or the Bond Resolutions including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Debt Service Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Program Expenses. THDA expects to pay Cost of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from the Debt Service and Expense Account of the Revenue Fund under the Resolution and other operating and administrative costs and expenses that are not Program Expenses from other resources of THDA. For more information about the payment of Program Expenses and other operating and administrative costs and expenses of THDA, see "THDA – THDA Funds" and for more information about the Housing Program Fund, see Appendix E – "OTHER FINANCINGS, THDA FUNDS AND THDA ACTIVITIES – THDA Funds."

While THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses, the Act establishes a mechanism for certifying an amount, if any, estimated to be required for payment of expenses of THDA for the next ensuing State fiscal year. The amount so certified is the amount by which anticipated operating expenses of THDA, including Program Expenses, will exceed available THDA operating revenues. The Act further provides that to assure the continued operation and solvency of THDA for the fulfillment of the purposes of the Act, there shall be apportioned and paid to THDA, after audit by appropriate State officials, not more than the amount so stated. These provisions of the Act do not constitute a legally enforceable obligation of the State to pay such amounts. Under the Constitution of the State of Tennessee, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. The General Assembly is authorized to appropriate, to expend and to provide for the payment of the amount so certified, but is not legally required to do so.

THDA has covenanted in the Resolution to comply with this provision of the Act relating to the certification of the amounts required for the payment of operating and administrative costs and expenses, to the extent such operating and administrative costs and expenses exceed available THDA operating revenues. THDA has never requested the State to appropriate monies to cover operating or administrative costs or expenses, including Program Expenses, of THDA.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Debt Service Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) Investment Securities proceeds and other receipts in the Revenue Fund are invested at 0.00% per annum until October 13, 2020, 0.75% per annum thereafter; and (iii) funds on deposit in the Issue 2010-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.00% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Prepayment Experience of Transferred Program Loans

The Super Sinker Bonds are subject to redemption from Excess 2010-1 Principal Payments (see "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Super Sinker Bonds"). The amount of such Excess 2010-1 Principal Payments may be affected by prepayments of the Transferred Program Loans. The Transferred Program Loans are composed of mortgage loans originally allocable to the Issue 1996-5 Bonds, the Issue 1997-1 Bonds, the Issue 1997-2 Bonds, the Issue 1998-1 Bonds, the Issue 1998-2 Bonds, the Issue 1998-3 Bonds, the Issue 1999-1 Bonds, the Issue 1999-2 Bonds, and the Issue 2000-2 Bonds issued under the 1985 General Resolution (the "Issue 1996-5 Bonds", the "Issue 1997-1 Bonds", the "Issue 1997-2 Bonds", the "Issue 1998-1 Bonds", the "Issue 1998-2 Bonds", the "Issue 1998-3 Bonds", the "Issue 1999-1 Bonds", the "Issue 1999-2 Bonds", and the "Issue 2000-2 Bonds", respectively, and, collectively, the "Refunded Bonds"). The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to each series of the Refunded Bonds for the 3 month, 6 month and 12 month periods ended on July 31, 2010, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
1996-5	60%	106%	117%	174%	6.28%
1997-1	177	145	184	185	6.13
1997-2	258	254	204	205	5.88
1998-1	190	159	171	214	6.14
1998-2	234	153	139	186	6.95
1998-3	173	201	185	240	6.56
1999-1	40	135	166	241	6.88
1999-2	246	158	173	241	6.61
2000-2	162	203	206	245	6.58
Weighted Average For All Transferred Program Loans	174	174	178	220	6.43

Projected Weighted Average Lives for Super Sinker Bonds

The Program Loans and Transferred Program Loans allocated to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans and Transferred Program Loans allocable to the Offered Bonds and hence the weighted average life of the Offered Bonds. THDA has provided for the redemption of the Super Sinker Bonds as described under the heading "DESCRIPTION OF THE OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of Super Sinker Bonds", and the weighted average lives of the Super Sinker Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the proceeds of Issue 2010-1A deposited in the Issue 2010-1A Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) the projected amount of $118,365,000 of Transferred Program Loans is deposited in the Issue 2010-1C Subaccount of the Loan Fund, and (iii) Excess 2010-1 Principal Payments will be used to redeem Super Sinker Bonds only on Interest Payment Dates, as described under the heading "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered

Bonds – Special Mandatory Redemption of Super Sinker Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate.

PSA Speed of Program Loans and Transferred Program Loans	Average Life (in years)
0%	8.2
25	8.2
50	7.8
75	5.9
100	4.2
150	2.8
175	2.4
200	2.1
300	1.5
400	1.2
500	1.1

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

HOMEOWNERSHIP PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $2,825,855,000 total original principal amount of Bonds under the Resolution, of which $1,637,570,000 (unaudited) were outstanding as of July 31, 2010, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of July 31, 2010 (unaudited)	Original Net Interest Cost
1996-5A	September 19, 1996	$ 30,000,000	$ 370,000	5.47
1996-5B	September 19, 1996	30,000,000	16,305,000	5.26
1997-1	February 5, 1997	57,885,000	16,330,000	5.18
1997-2	May 29, 1997	50,000,000	10,685,000	5.06
1998-1	June 4, 1998	50,000,000	11,305,000	5.33
1998-2	August 1, 1998	30,000,000	5,375,000	5.26
1998-3A/B	November 1, 1998	40,000,000	10,600,000	5.16
1998-3C	December 2, 1998	40,000,000	1,730,000	6.04
1999-1A	June 17, 1999	40,000,000	5,225,000	5.33
1999-2A/B	July 1, 1999	100,000,000	12,970,000	5.62
2000-2B	June 1, 2000	88,000,000	13,810,000	6.18(1)
2001-1	May 1, 2001	135,390,000	59,425,000	5.25(1)
2001-2	August 1, 2001	60,000,000	19,775,000	5.08(1)
2001-3	December 1, 2001	64,580,000	18,335,000	5.21(1)
2002-1	April 18, 2002	85,000,000	27,355,000	5.14(1)
2002-2	July 31, 2002	85,000,000	31,420,000	5.03(1)
2003-1	February 27, 2003	50,000,000	21,860,000	4.64(1)
2003-2	July 31, 2003	60,000,000	30,855,000	3.90(1)
2003-3	November 5, 2003	75,000,000	36,335,000	4.30(1)
2004-1	March 4, 2004	80,000,000	43,540,000	4.40(1)
2004-2	July 15, 2004	100,000,000	56,855,000	4.86(1)
2004-3	January 13, 2005	100,000,000	60,020,000	4.41(1)
2005-1	July 28, 2005	100,000,000	69,500,000	4.33(1)
2005-2	November 17, 2005	100,000,000	70,925,000	4.61(1)
2006-1	April 27, 2006	100,000,000	75,075,000	4.66(1)
2006-2	July 27, 2006	100,000,000	71,565,000	4.85(1)
2006-3	October 31, 2006	100,000,000	77,400,000	4.58(1)
2007-1	March 13, 2007	100,000,000	83,425,000	4.49(1)
2007-2	June 6, 2007	120,000,000	102,425,000	4.53(1)
2007-3	August 7, 2007	150,000,000	125,115,000	4.77(1)
2007-4	October 30, 2007	150,000,000	129,495,000	4.79(1)
2008-1A/B	May 29, 2008	60,000,000	51,510,000	4.93(1)
2008-2A/B	August 7, 2008	50,000,000	42,900,000	5.28(1)
2008-3	September 30, 2008	90,000,000	77,170,000	5.00(1)
2008-4	December 18, 2008	30,000,000	28,430,000	5.56(1)
2009-1	June 11, 2009	50,000,000	48,575,000	4.39(1)
2009-2	September 30, 2009	75,000,000	73,580,000	4.06(1)
TOTAL		$2,825,855,000	$1,637,570,000	

---

(1) Bond yield.

Origination Experience

Other than Bond issues currently being originated, between January 1, 1995, and July 31, 2010, THDA fully originated all Bond issues with the exception of the following two transactions which experienced unexpended proceeds redemptions:

Issue of Bonds	Lendable Proceeds	Program Loans Financed Amount	Program Loans Financed %	Non-Origination Bond Redemptions	Mortgage Interest Rate(s)
1995-1	$ 59,309,056	$ 23,702,408	39.96%	$35,600,000	7.40/5.50
1996-3	64,303,700	42,049,898	65.39	22,250,000	6.75/6.50/6.25

THDA's experience from January 1, 2000, to July 31, 2010, regarding origination of Program Loans(1) from lendable proceeds of Bonds issued since January 1, 2000, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed(2) as of July 31, 2010 Amount	%	Mortgage Interest Rate(s)
2000-1	$103,803,075	$103,803,075	100.00	7.30
2000-2A/B	108,900,000	108,900,000	100.00	7.30/7.25/6.50/6.25
2001-2A/B	60,000,000	59,997,726	100.00	7.25/6.25/5.90/6.90
2001-3A/B	64,580,000	64,580,000	100.00	5.90/6.90
2002-1A/B	85,000,000	84,995,890	100.00	6.00/7.00
2002-2A/B	85,000,000	85,000,000	100.00	6.00/7.00/5.625/6.625/5.40/6.40
2003-1A/B	50,000,000	50,000,000	100.00	5.25/6.25/4.75/5.75/4.65/5.65
2003-2A/B	61,108,600(3)	61,108,600	100.00	4.65/5.65
2003-3A/B	76,723,250(3)	76,723,250	100.00	5.25/6.25
2004-1	81,914,000(3)	81,914,000	100.00	4.95/5.95/5.25/6.25/5.60/6.60
2004-2	101,909,600(3)	101,909,600	100.00	5.60/6.60/5.10/6.10
2004-3	89,023,500(3)	89,023,500	100.00	5.10/6.10/4.99/5.99
2005-1	102,000,000(3)	102,000,000	100.00	4.99/5.99
2005-2	101,606,800(3)	101,606,800	100.00	4.99/5.30/5.99/6.30
2006-1	102,908,000(3)	102,908,000	100.00	5.30/5.40/6.30/6.40
2006-2	102,913,560(3)	102,913,560	100.00	5.40/5.80/6.40/6.80
2006-3	103,584,640(3)	103,583,316	100.00	5.40/5.50/5.80/5.90/6.00/6.40/6.50/6.80
2007-1	103,043,200(3)	103,041,521	100.00	5.40/5.90/6.40
2007-2	123,201,600(3)	123,194,178	100.00	5.40/5.90/6.40/5.70/6.20/6.70
2007-3	153,968,215(3)	153,967,959	100.00	5.70/6.00/6.20/6.50/6.70/7.00
2007-4	154,361,250(3)	154,360,985	100.00	5.45/5.75/5.95/6.00/6.25/6.45/6.50/6.75
2008-1A/B	60,000,000	60,000,000	100.00	5.45/5.80/6.30/6.80
2008-2A/B	59,000,000(4)	59,000,000	100.00	5.80/5.99/6.30/6.49/6.80/6.99
2008-3	90,000,000	89,998,284	100.00	5.80/5.99/6.10/6.15/6.30/6.49/6.60/6.80/6.99/7.10
2008-4	35,000,000	34,999,852	100.00	5.55/5.85/6.15
2009-1	50,000,000	49,999,065	100.00	5.20/5.50/5.80
2009-2	75,000,000	74,999,843	100.00	5.20/5.50/5.80
TOTAL	$2,384,549,290	$2,384,529,004		

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Program Loans" for more information about Program Loans.
(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.
(3) Includes initial issue premium paid with respect to planned amortization class bond.
(4) These lendable proceeds include $50,000,000 in proceeds from Issue 2008-2A/B plus $9,000,000 released from the lien of the 1974 General Resolution in accordance with its terms and transferred to the Issue 2008-2 Loan Fund of the General Resolution.

THDA is currently originating mortgage loans with the proceeds of bonds issued under the 2009 General Resolution through the New Issue Bond Program. Proceeds of Issue 2010-A, the most recent Market Bonds issued by THDA under the 2009 General Resolution, and proceeds of Issue 2009-B, Subseries B-1, the first tranche of bonds released from escrow under the New Issue Bond Program, were fully committed as of August 9, 2010. THDA began committing against the proceeds of its next anticipated bond issue under the 2009 General Resolution in June 2010.

HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO

Description of Homeownership Programs

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. See Appendix H for a description of Homeownership Program Procedures related to Code requirements and Appendix F for THDA Household Income Limits and Acquisition Cost Limits.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to all Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. The current interest rate for Great Rate Program Loans is 4.20%, the current interest rate for the Great Advantage Program Loans is 4.50% and the current interest rate for Great Start Program Loans is 4.80%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues identified in the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

THDA offered a Stimulus Loan for downpayment and closing cost assistance when coupled with a THDA Great Rate or Great Advantage Program Loan that was FHA insured. The maximum Stimulus Loan amount was 3.5% of the purchase price and was secured by a second deed of trust. The Stimulus Loan was designed to work with the First Time Homebuyer Tax Credit enacted in the American Recovery and Reinvestment Tax Act of 2009, as extended. A Stimulus Loan could be paid in full on or before June 1, 2010, from the proceeds of the First Time Homebuyer Tax Credit, at 0% interest. Thereafter, a Stimulus Loan will fully amortize over ten years at an interest rate 1% above the corresponding first mortgage. Stimulus Loans will be funded from amounts available therefor under the General Resolution and will not be funded with proceeds of the Offered Bonds. The Stimulus Loan program expired on June 30, 2010.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

The New Start Loan Program is designed to promote the construction of new homes for very low-income Tennesseans. The New Start Loan Program is delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% rate is available to borrowers who have a maximum family income of $32,700, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of $38,150, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. All other THDA Program Loan requirements remain applicable. As of July 31, 2010 (unaudited), 323 New Start Program Loans, with an aggregate principal balance of approximately $15,690,061, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other bonds.

Prior Programs

START Program Loans

From September, 1993 to December, 1998, THDA offered the Special Targeted Affordable Rate for Tennessee Program (the "START Program") using recycled prepayments received under the 1974 General Resolution and certain bond proceeds from bonds issued under the 1974 General Resolution and the General Resolution. First lien START Program Loans under the General Resolution had a 5.5% interest rate, were made to borrowers who earn $17,000 or less per year and who purchase their first home for $44,000 or less. After October 1, 1997, borrowers who earn $18,500 or less per year and who purchase their first home for $47,500 or less were eligible for first lien START Program Loans at a 5.5% interest rate. Except for the more restrictive income and acquisition cost limitations, all other requirements of THDA's Homeownership Program applied. As of July 31, 2010 (unaudited), 103 START loans having an aggregate principal balance of approximately $2,787,572 were outstanding under the General Resolution.

THDA financed START Program Loans under the General Resolution, however, program authorization for START Program Loans expired on December 31, 1998, and THDA no longer finances START Program Loans.

RIC Program Loans

Certain proceeds of Issue E Bonds, previously issued under the General Resolution, were used by THDA to finance Program Loans for housing development in rural counties and inner-city areas in conjunction with twenty-one local governments (the "RIC Program Loans"). Eligibility for RIC Program Loans was limited to households in the specific geographic areas who earned $25,000 per year or less, regardless of family size. All other then current requirements of the Homeownership Program applied to RIC Program Loans. As of July 31, 2010 (unaudited), 34 RIC Program Loans with an aggregate principal balance of approximately $695,141 were outstanding under the General Resolution.

LIFT Program Loans

Certain proceeds of Issue G Bonds, Issue H Bonds and Issue I Bonds, all previously issued under the General Resolution, were used by THDA to finance Program Loans for eligible individuals and families with lower incomes at interest rates approximately 2% below the then current Homeownership Program interest rate (the "LIFT Program Loans"). Eligibility for LIFT Program Loans was limited to households who earned 80% of median income per year or less and who purchased a home with an acquisition cost of 80% of the then current Homeownership Program acquisition cost. All other then current requirements of the Homeownership Program applied to LIFT Program Loans. As of July 31, 2010 (unaudited), 67 LIFT Program Loans with an aggregate principal balance of approximately $1,178,168 were outstanding under the General Resolution.

THDA no longer finances RIC or LIFT Program Loans.

Homeownership Program Portfolio Data

General

As of July 31, 2010 (unaudited), 21,082 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $1,710,755,941 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 273.04 months and an approximate weighted average interest rate of 6.01%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of July 31, 2010 (unaudited), certain information regarding these outstanding single-family Program Loans financed by THDA under the General Resolution, after giving effect to mortgage insurance claims, foreclosures and Program Loans paid in full:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (4)	Percent of Total Program Loans (4)	Percent of Outstanding Balance (4)
FHA Insured…………………………	13,895	$1,084,126,591	65.91%	63.37%
VA Guaranteed……………………..…	790	59,508,957	3.75	3.48
Privately Insured(2)……………….…	3,210	329,075,915	15.23	19.24
Uninsured(3)…………………………	836	54,826,939	3.97	3.20
USDA/RD Guaranteed…………..	2,351	183,217,540	11.15	10.71
TOTAL……………………………..…	21,082	$1,710,755,941 (5)	100.00% (5)	100.00% (5)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(3) 25% minimum equity interest by borrower if closed prior to July 29, 1999, or 22% minimum equity interest by borrower if closed on or after July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of The Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(4) Rounded figures.

(5) Rounded total.

Privately Insured Program Loans

Effective January 2, 2009, THDA is no longer purchasing conventional, privately insured loans since no private mortgage insurers currently have ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

As of July 31, 2010 (unaudited), THDA had 3,210[(1)] privately insured Program Loans having an aggregate balance of approximately $329,075,915 outstanding under the Resolution. As of July 31, 2010 (unaudited), THDA had the following information regarding the private mortgage insurer for 2,819 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(2)]	Percent of Total Program Loans [(2)]	Percent of Outstanding Balance [(2)]
Commonwealth/CMAC	12	$528,376	0.06%	0.03%
Genworth Mortgage Insurance Corp. (GE)	1,211	130,074,676	5.74	7.60
Mortgage Guaranty Insurance Corporation	943	99,725,523	4.47	5.83
PMI Mortgage Insurance Company	13	816,542	0.06	0.05
Radian Guaranty Inc.	20	1,494,369	0.09	0.09
Republic Mortgage Insurance Corporation	189	21,375,643	0.90	1.25
Triad Guaranty Insurance Co.	30	2,460,385	0.14	0.14
United Guaranty Residential Insurance Co.	401	42,323,736	1.90	2.47
Total	2,819	$298,799,250	13.36%	17.46%

(1) The private mortgage insurer is not identified with respect to 391 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) Rounded figures.

Program Loan Interest Rates

The following table summarizes, as of July 31, 2010 (unaudited), certain additional information regarding the outstanding single-family Program Loans financed by THDA:

Mortgage Rates (%)	Number of Program Loans[(1)]	Outstanding Balance [(2)]	Percent of Total Program Loans [(2)]	Percent of Outstanding Balance [(2)]
0.00-4.99	1,744	$143,295,857	8.27%	8.38%
5.00-5.49	4,541	448,955,161	21.54	26.24
5.50-5.99	6,130	569,965,346	29.08	33.32
6.00-6.49	3,670	297,363,955	17.41	17.38
6.50-6.99	2,117	148,217,561	10.04	8.66
7.00-7.49	1,077	57,076,925	5.11	3.34
7.50-7.99	469	22,070,355	2.22	1.29
8.00-8.49	436	3,791,319	2.07	0.22
8.50-8.99	559	13,225,816	2.65	0.77
9.00-9.49	267	5,626,539	1.27	0.33
9.50-9.99	72	1,167,108	0.34	0.07
TOTAL	21,082	$1,710,755,942 [(3)]	100.00% [(3)]	100.00% [(3)]

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate the delinquency rates and foreclosures shown on the tables presented below. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are included in the table showing Program Loans 60 to 89 days past due. For example, a Program Loan is included in the table showing Program Loans 60 to 89 days past due if the August 1 installment has not been paid as of September 30. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are shown in the table of Program Loans 90 or more days past due. For example, a Program Loan is included in the table showing Program Loans 90 days or more past due if the July 1 installment has not been paid as of September 30. Program Loans for which THDA has given its Servicers authorization to proceed with foreclosure are included in the table titled "IN FORECLOSURE". Program Loans to borrowers who are in bankruptcy are shown in the table reflecting the relevant status of the Program Loan beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service THDA Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of July 31, 2010

As of July 31, 2010 (unaudited), the overall delinquency rate for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.52%, based on a total of 21,082 Program Loans as of July 31, 2010.

Delinquency rates by loan type for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due as of July 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF July 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	393	$28,652,579	2.83%	2.33%[4]
VA Guaranteed	23	1,670,320	2.91	1.52
Privately Insured	45	4,289,699	1.40	0.91[5]
USDA/RD Guaranteed	68	4,905,481	2.89	[6]
Uninsured	2	111,582	0.24	[6]
TOTAL	531	$39,629,662[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

As of July 31, 2010 (unaudited), the overall delinquency rate for THDA Program Loans that were ninety (90) days past due was 5.33%, based on a total of 21,082 Program Loans as of July 31, 2010.

Delinquency rates by loan type for THDA Program Loans that were ninety (90) days past due as of July 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF July 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% by Type of Program Loan	% by Loan Type
FHA Insured	897	$70,726,652	6.46%	4.54%[4]
VA Guaranteed	24	2,050,372	3.04	2.74
Privately Insured	92	9,383,615	2.87	2.05[5]
USDA/RD Guaranteed	105	7,965,327	4.47	(6)
Uninsured	6	564,933	0.72	(6)
TOTAL	1,124	$90,690,900[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of July 31, 2010 (unaudited), the overall rate of THDA Program Loans in foreclosure was 0.69%, based on a total of 21,082 Program Loans as of July 31, 2010.

The foreclosure rate by loan type for THDA Program Loans, in foreclosure as of July 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2010, are as follows:

IN FORECLOSURE AS OF July 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% by Type of Program Loan	% by Loan Type
FHA Insured	125	$10,011,766	0.90%	2.06%[4]
VA Guaranteed	4	127,027	0.51	1.64
Privately Insured	6	646,255	0.19	1.34[5]
USDA/RD Guaranteed	10	853,730	0.43	(6)
Uninsured	0	0	0.00	(6)
TOTAL	145	$11,638,778[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information is contained in Appendix J.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

The Transferred Program Loans are expected to have a weighted average maturity of 219 months and a weighted average interest rate of 6.43% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE OFFERED BONDS – Prepayment Experience of Transferred Program Loans" herein. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of July 31, 2010; the Transferred Program Loans will not be allocable to the Offered Bonds until November 1, 2010, and Transferred Program Loan characteristics may change slightly from July 31, 2010, to November 1, 2010).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured……………………..….	1,737	$ 93,560,721	74.32%
VA Guaranteed………………….....	117	6,384,406	5.07
USDA/RD Guaranteed……………	370	20,441,758	16.24
Privately Insured[1]…………………	71	3,243,925	2.58
Uninsured[2]………………………..	53	2,260,608	1.80
TOTAL………………………………	2,348	$125,891,417 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(2) (i.e. Program Loans for which the borrower has at least a 25% equity interest in the residence on the date of closing or at least a 22% equity interest in the residence on the date of closing for Program Loans closed on or after July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance).

(3) Rounded figures.

(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

As of July 31, 2010 (unaudited), $3,243,925[1] principal amount of the Transferred Program Loans are privately insured. As of July 31, 2010 (unaudited), THDA has the following information regarding the private mortgage insurer for sixty-three (63) of these privately insured Transferred Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [2]	Percent of Total Program Loans [2]	Percent of Outstanding Balance [2]
Commonwealth/CMAC	9	$ 462,434	0.38%	0.37%
Genworth Mortgage Insurance Corp. (GE)	23	1,119,412	0.98	0.89
Mortgage Guaranty Insurance Corporation	8	382,141	0.34	0.30
PMI Mortgage Insurance	5	231,071	0.21	0.18
Radian Guaranty Inc.	4	210,758	0.17	0.17
Republic Mortgage Insurance Corporation	8	326,720	0.34	0.26
Traid	3	172,899	0.13	0.14
United Guaranty Residential Insurance Co.	3	162,660	0.13	0.13
Total	63	$3,068,094[3]	2.68%[3]	2.44%[3]

(1) The private mortgage insurer is not identified with respect to 8 of these privately insured Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) Rounded figures.

(3) Rounded totals.

Delinquency Information for the Transferred Program Loans

As of July 31, 2010 (unaudited), the overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 3.02%, based on a total of 2,348 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of July 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JULY 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% by Type of Program Loan	% by Loan Type
FHA Insured	53	$2,767,545	3.05%	2.33%[4]
VA Guaranteed	1	55,361	0.85	1.52
Privately Insured	0	0	0.00	0.91[5]
USDA/RD Guaranteed	17	1,046,233	4.59	[6]
Uninsured	0	0	0.00	[6]
TOTAL	71	$3,869,139[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending June 30, 2010

(4) FHA fixed rate mortgage loans

(5) Prime fixed rate mortgage loans.

(6) MBA does not report data in these categories.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

As of July 31, 2010 (unaudited), the overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 5.71%, based on a total of 2,348 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90)) days past due as of July 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JULY 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	106	$5,665,765	6.10%	4.54%[4]
VA Guaranteed	3	165,115	2.56	2.74
Privately Insured	1	38,119	1.41	2.05[5]
USDA/RD[1] Guaranteed	24	1,381,148	6.49	(6)
Uninsured	0	0	0.00	(6)
TOTAL	134	$7,250,147[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of July 31, 2010 (unaudited), the rate of Transferred Program Loans in foreclosure was 0.81%, based on a total of 2,348 Transferred Program Loans.

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of July 31, 2010 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2010, are shown in the following table:

IN FORECLOSURE AS OF JULY 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$881,113	0.92%	2.06%[4]
VA Guaranteed	1	54,373	0.85	1.64
Privately Insured	0	0	0.00	1.34[5]
USDA/RD[1] Guaranteed	2	156,062	0.54	(6)
Uninsured	0	0	0.00	(6)
TOTAL	19	$1,091,548 [2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Homeownership Program Bonds for the five most recent years, and for the nine months ended March 31, 2010, and March 31, 2009. Data in the table is expressed in thousands and is taken from the Agency's audited financial statements as of and for the years ending June 30, 2009, 2008, 2007, 2006, and 2005, and for the nine months ended March 31, 2010 (unaudited) and March 31, 2009 (unaudited).

	Nine Months Ended March 31 (Unaudited)		Year Ended June 30 (Audited)				
Homeownership Bond Group	**2010**	**2009**	**2009**	**2008**	**2007**	**2006**	**2005**
REVENUES:							
Interest on Mortgages	$ 81,812	$ 83,031	$ 110,312	$ 101,478	$ 83,531	$ 75,143	$ 73,893
Investment Income:							
Interest	7,950	9,175	12,140	18,263	20,052	17,271	15,644
Net Increase (decrease) in the Fair Value of Investments	(2,727)	9,374	3,017	7,060	924	(15,736)	8,586
Fees and Other Income	-	-	-	-	-	122	-
	87,035	101,580	125,469	126,801	104,507	76,800	98,123
EXPENSES:							
Interest	64,142	66,040	87,976	87,411	73,959	65,648	65,320
Issuance Cost	492	467	624	548	484	434	450
Mortgage Servicing Fees	5,078	5,119	6,783	6,339	5,185	4,553	4,338
Down Payment Assistance Grants	5,614	2,857	3,748	3,094	3,685	3,699	2,995
Other	1,517	1,524	2,359	2,758	2,006	1,638	1,004
	76,843	76,007	101,490	100,150	85,319	75,972	74,107
Excess of Revenues over Expenses	10,192	25,573	23,979	26,651	19,188	828	24,016
Net Assets/Retained Earnings at beginning of period	360,461	336,488	336,488	307,832	277,851	275,546	235,453
Loss on early retirement of bonds	-	-	-	-	-	-	-
Other Transfers	(19,825)	13,462	(6)	2,005	10,793	1,477	16,077
Net Assets/Retained Earnings at end of period	$ 350,828	$ 375,523	$ 360,461	$ 336,488	$ 307,832	$ 277,851	$ 275,546

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of July 31, 2010 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 4,748,082
Federal Home Loan Bank Notes	29,947,617
Federal Home Loan Mortgage Corporation Notes	7,648,044
Fannie Mae Notes	52,095,455
United States Treasury Bonds	59,133,952
TOTAL	$ 153,573,150

As of July 31, 2010 (unaudited), amounts in the Debt Service Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 4,748,082
Federal Home Loan Bank Notes	11,055,426
Federal Home Loan Mortgage Corporation Notes	6,634,781
Fannie Mae Notes	47,537,585
United States Treasury Bonds	59,133,952
TOTAL	$ 129,109,826

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of July 31, 2010 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,197,765,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors[(1)] are shown below:

Name	**Term Expires**	**Principal Occupation**
ROBYN J. ASKEW	July 1, 2013	Attorney, Bosch Law Firm Knoxville, TN
BRIAN BILLS	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
TIM BOLDING	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
TERRY CUNNINGHAM	July 1, 2011	Executive Director, Kingsport Housing and Redevelopment Authority, Kingsport, TN
M. D. GOETZ, JR.[(2)]	(3)	Commissioner, Department of Finance and Administration
TAM GORDON[(2)]	(3)	Special Assistant to the Governor for Projects
WILLIAM GRAVES	July 1, 2013	General Manager, Fleetwood Homes of TN, Inc. Gallatin, TN
TRE HARGETT[(2)]	January, 2013	Secretary of State
WINSTON HENNING	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
LORETTA J. JERCINOVICH	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
E. D. LATIMER, Chairman	July 1, 2011	Executive Director, Affordable Housing Resources, Inc., Nashville, TN
DAVID H. LILLARD, Jr.[(2)]	January, 2011	State Treasurer
JANIS MCNEELY	July 1, 2013	Retired Nashville, TN
ALVIN NANCE	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
BRAD RAINEY	July 1, 2011	President, Brad Rainey Homes, Inc. Cordova, TN
LISA REID	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
BENJIE SHULER	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
F. CARL TINDELL	July 1, 2011	Owner/Chairman, Tindell's Building Supply Knoxville, TN
JUSTIN WILSON[(2)]	January, 2011	Comptroller of the Treasury

(1) The resident member position required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E, is currently vacant.

(2) Ex officio member.

(3) Serves at pleasure of Governor.

Executive Staff Members

THDA employs a staff of approximately 203 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University.

Lynn E. Miller – Deputy Executive Director since 2005 and General Counsel since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Patricia H. Chatman – Deputy Executive Director since 2005. Formerly, Davidson County Caring for Children Program (1992-2005); Tennessee Department of Youth Development (1989-1992). B.A., Fisk University; M.A., Fisk University.

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Laura Sinclair – Senior Director of Single Family Programs since August 2009. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

Patricia M. Smith – Director of Public Affairs since 2006. Formerly, American Red Cross (2000-2006); Tennessee Housing Development Agency (1984-2000); Tennessee Supreme Court (1980-1984). B.S., Peabody College.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in nine (9) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide for the creation of the Housing Program Fund, the Housing Program Reserve Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from THDA's Housing Bond Resolution (Mortgage Finance Program) in accordance with its terms, together with related investment earnings. The Housing Program Reserve Fund was created as a reserve for THDA's non-mortgage programs. See Appendix E under the heading "THDA Funds" for a description of each of these statutorily created funds.

While amounts on deposit in the Assets Fund are not specifically pledged as security for bonds issued under the General Resolution or any other bond resolution of THDA, the Assets Fund is a general asset of THDA and may, subject to the respective terms of the Act, the General Resolution, or any other general bond resolution of THDA, serve as supplemental security for bonds issued under any such general bond resolutions. As a result of transfers required by the State and subsequent action by THDA, no amounts are currently on deposit in the Assets Fund. See "SECURITY AND SOURCES OF PAYMENT OF BONDS – Security of Bonds and Sources of Payment" herein for a description of sources of payment for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA:

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2010.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) under the General Resolution and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund. In the future, however, THDA expects to use more of the amounts available under THDA bond resolutions, including the General Resolution, for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State approved budget for fiscal year 2010-2011 which ends June 30, 2011 (the "FY 2010-2011 Budget") is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2010-2011 Budget, as adopted by the General Assembly, recognizes the current economic situation and is based on State revenue growth estimates that reflect a modest two percent growth in revenue collections in 2010-2011.

On an accrual basis, August is the first month in the 2010-2011 fiscal year. For the month, General Fund collections were $10.7 million below the official budgeted estimate, and overall revenues were $5.4 million less than budgeted.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any Bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Offered Bonds or other Bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). These GASB Statements have effective dates of fiscal year ended June 30, 2007 for the plan and June 30, 2008, for the employer. To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,629,000 and the annual required contribution for THDA is approximately $394,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2010. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution and the 2009 General Resolution. THDA funds which are not pledged under the General Resolution, the 1974 General Resolution or the 2009 General Resolution can be removed without meeting such tests.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Issue 2010-1 Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Issue 2010-1 Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2010-1A Bonds and the Issue 2010-1B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2010-1A Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, (iii) interest on the Issue 2010-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2010-1C Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Discount or Premium

Certain Offered Bonds may be sold at a discount or premium. The difference between the initial public offering price of an Offered Bond sold at a discount (a "Discount Bond") and its stated amount to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a “Premium Bond”) over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Offered Bonds a rating of Aa1 and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody’s and Standard & Poor’s. THDA has furnished to Moody’s and Standard & Poor’s certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1981 Resolution and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2010-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2010-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared as described in "FINANCIAL STATEMENTS" below, and an annual updating of the type of information herein under the headings "HOMEOWNERSHIP PROGRAM BONDS,", "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO," and "FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM" and in Appendices E and F (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, with (i) the MRSB and (ii) the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on the Debt Service Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on credit enhancements, if any, for the Offered Bonds, reflecting financial difficulty; (v) substitution of credit or liquidity providers, if any, for the Offered Bonds, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Bonds; (vii) modifications to rights of Beneficial Owners of the Offered Bonds; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds; and (xi) rating changes.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2010-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2010-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) 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 (2) above; (4) either (i) 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 Beneficial Owners of the Offered Bonds, or (ii) the Beneficial Owners of the Offered 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 the Issue 2010-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2010-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action in mandamus for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and the opinion of the General Counsel of THDA will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix I. Certain legal matters will be passed upon for THDA by its General Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

Appendix A contains the audited financial statements of THDA and supplementary data as of and for the fiscal years ending June 30, 2009, and June 30, 2008, together with the letter thereon from Arthur A. Hayes, Jr., CPA, Director, Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, and the unaudited financial statements of THDA for the nine month periods ending March 31, 2010, and March 31, 2009. Such audited financial statements and supplementary data are included herein in reliance upon the report thereon of such official. The audited financial statements are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Keegan & Company, Inc., RBC Capital Markets Corporation, Citigroup Global Markets Inc., Raymond James & Associates, LLC, M R Beal & Company and Wiley Bros.—Aintree Capital LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at a purchase price of 100% of the principal amount thereof. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $810,044.28. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ E. D. Latimer
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

November 6, 2009
(except for the last paragraph of this
letter which is dated August 20, 2010)

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2009, and June 30, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2009, and June 30, 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.l. to the financial statements, during the year ended June 30, 2008, the agency implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated November 6, 2009, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying statements of net assets as of March 31, 2010, and March 31, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the nine months then ended were not audited by us and, accordingly, we do not express an opinion on them.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2009 and June 30, 2008. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists people is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2009, THDA has originated over 101,000 single-family mortgage loans in its 36-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 74 of Tennessee's 95 counties, as well as project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide useful information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2009

- Total assets decreased by $47.4 million, or 1.8 %.
- Total liabilities decreased by $63.0 million, or 3.0%.
- Net assets (the amount that total assets exceeds total liabilities) were $508.1 million. This is an increase of $15.6 million, or 3.2%, from fiscal year 2008.
- Cash and cash equivalents decreased $129.0 million, or 47.4%.
- Total investments increased $55.2 million, or 18.6%.
- Bonds and notes payable decreased $65.2 million, or 3.2%.
- THDA originated $214.5 million in new loans, which is a decrease of $233.7 million, or 52.1%, from the prior year.

Year Ended June 30, 2008

- Total assets increased by $25.0 million, or 1.0 %.
- Total liabilities decreased by $10.1 million, or 0.5%.
- Net assets (the amount that total assets exceeds total liabilities) were $492.5 million. This is an increase of $35.1 million, or 7.7%, from fiscal year 2007.
- Cash and cash equivalents decreased $193.0 million, or 41.5%.
- Total investments decreased $76.1 million, or 20.5%.
- Bonds and notes payable decreased $18.9 million, or 0.9%.
- THDA originated $448.2 million in new loans, which is an increase of $40.1 million, or 9.8%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2009	2008	2007
Current assets	$ 311,109	$ 374,908	$ 577,369
Capital assets	29	79	65
Other noncurrent assets	2,247,094	2,230,603	2,003,173
Total assets	2,558,232	2,605,590	2,580,607
Current liabilities	145,096	165,375	404,643
Noncurrent liabilities	1,905,071	1,947,753	1,718,572
Total liabilities	2,050,167	2,113,128	2,123,215
Invested in capital assets	29	79	65
Restricted net assets	508,036	492,193	455,765
Unrestricted net assets	-	190	1,562
Total net assets	$ 508,065	$ 492,462	$ 457,392

2009 to 2008

- THDA's total net assets increased $15.6 million, or 3.2%, from $492.5 million at June 30, 2008 to $508.1 million at June 30, 2009. This primarily resulted from an increase in mortgage interest income, and an increase in the fair value of investments.

- Mortgage loans receivable increased $13.6 million, or 0.7%, from $1,985.8 million at June 30, 2008 to $1,999.4 million at June 30, 2009. This is not a significant change from the prior year.

- Total liabilities decreased $63.0 million, or 3.0%, from $2,113.1 million at June 30, 2008 to $2,050.2 million at June 30, 2009. The increase is primarily due to a reduction in the amount of bonds issued during fiscal year 2009 as compared to the same period in fiscal year 2008, as well as the redemption of $83.1 million of its Single Family Mortgage Notes (please refer to Note 4 of the Notes to the Financial Statements for more information).

2008 to 2007

- THDA's total net assets increased $35.1 million, or 7.7%, from $457.4 million at June 30, 2007 to $492.5 million at June 30, 2008. This primarily resulted from an increase in mortgage interest income, and an increase in the fair value of investments.

- Mortgage loans receivable increased $284.7 million, or 16.7%, from $1,701.2 million at June 30, 2007 to $1,985.8 million at June 30, 2008. This increase resulted from a continuation of higher mortgage loan production than is typical for THDA.

- Total liabilities decreased $10.1 million, or 0.5%, from $2,123.2 million at June 30, 2007 to $2,113.1 million at June 30, 2008. The decrease is primarily due to a decrease in the amount of bonds issued during fiscal year 2008 as compared to the same period in fiscal year 2007.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2009	2008	2007
Operating revenues			
Mortgage interest income	$ 119,500	$ 111,142	$ 93,387
Investment income	17,905	38,756	43,643
Other	13,564	14,465	14,518
Total operating revenues	150,969	164,363	151,548
Operating expenses			
Interest expense	93,103	97,328	96,887
Other	29,931	29,934	25,949
Total operating expenses	123,034	127,262	122,836
Operating income	27,935	37,101	28,712
Nonoperating revenues (expenses)			
Grant revenues	186,800	185,204	161,976
Grant expenses	(199,132)	(187,235)	(166,647)
Total nonoperating revenues (expenses)	(12,332)	(2,031)	(4,671)
Change in net assets	$ 15,603	$ 35,070	$ 24,041

2009 to 2008

For the year ended June 30, 2009, total operating revenues decreased $13.4 million from $164.4 million for the year ended June 30, 2008 to $151.0 million for the year ended June 30, 2009. The primary reasons for this decrease are as follows:

- Mortgage interest income increased $8.4 million, or 7.5%, from $111.1 million in 2008 to $119.5 million in 2009. This increase is due to record high origination of new mortgage loans as experienced during FY 2007 and FY 2008.

- Investment income decreased $20.9 million, or 53.8%, from $38.8 million in 2008 to $17.9 million in 2009. This decrease is primarily due to a decrease in the total amount of invested funds during FY 2009 as compared to FY 2008, as well as a decrease in the investment interest rates.

For the year ended June 30, 2009, total operating expenses decreased $4.3 million, or 3.3%, from $127.3 million in 2008 to $123.0 million in 2009. This decrease is primarily due to a decrease in mortgage interest expense as a result of debt management practices.

2008 to 2007

For the year ended June 30, 2008, total operating revenues increased $12.8 million from $151.6 million for the year ended June 30, 2007, to $164.4 million for the year ended June 30, 2008. The primary reasons for this increase are as follows:

- Mortgage interest income increased $17.7 million, or 19.0%, from $93.4 million in 2007 to $111.1 million in 2008. This increase is due to a decrease in mortgage loan prepayments, as well as the result of record high origination of new mortgage loans as experienced during FY 2007 and FY 2008.

- Investment income decreased $4.8 million, or 11.2%, from $43.6 million in 2007 to $38.8 million in 2008. This decrease is primarily due to a decrease in the total amount of invested funds during FY 2008, as compared to FY 2007, as well as a decrease in the investment interest rates.

For the year ended June 30, 2008, total operating expenses increased $4.5 million, or 3.6%, from $122.8 million in 2007 to $127.3 million in 2008. This increase is primarily due to an increase in salary expense of $1.4 million, from $12.2 million in 2007 to $13.6 million in 2008.

While the total net assets for fiscal year 2008 increased $35.1 million from the previous year, the non-monetary accretion of deep discount bonds and the change in the fair value of investments contributed $7.2 million toward this increase. When considered without these non-monetary components, net assets would have increased $27.9 million.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2009	2008	2007
Bonds payable	$ 1,972,561	$ 1,952,295	$ 1,812,267
Notes payable	3,250	88,720	247,675
Total bonds and notes payable	$ 1,975,811	$ 2,041,015	$ 2,059,942

Year Ended June 30, 2009
Total bonds and notes payable decreased $65.2 million, or 3.2%, due primarily to a redemption of THDA's Single Family Mortgage Notes in the amount of $83.1 million. Please see Note 4 (e) for more information regarding this transaction. During the fiscal year, THDA issued debt totaling $267.6 million, with activity arising from four bond issues totaling $220.0 million and one note draw under the single family mortgage note program totaling $44.3 million. In addition, THDA obtained a $3.25 million loan from a local financial institution for the Housing Trust Fund. Principal redemptions decreased $256.1 million, from $584.4 million in FY 2008 to $328.2 million in FY 2009.

Year Ended June 30, 2008
Total bonds and notes payable decreased $18.9 million, or .9%, due primarily to an increase in the redemption of THDA's bonds and notes. During the fiscal year, THDA issued debt totaling $567.3 million, with activity arising from three bond issues totaling $368.3 million and three draws under the single family mortgage note program totaling $199.0 million. However, principal redemptions increased $245.7 million, from $338.7 million in FY 2007 to $584.4 million in FY 2008.

Note Authority
On July 19, 2007, THDA's board of directors authorized the issuance of Single Family Mortgage Note, Series 2007CN-1. This $450 million drawdown note with a final maturity of August 12, 2010 closed on August 9, 2007.

Additional information on THDA's long-term debt is presented in Note 4 to the financial statements.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa1 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA+.

Debt Limits
In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During the past few years, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2007	FY 2008	FY 2009	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 18,000,000
State Appropriation	1,000,000	3,000,000	350,000	4,350,000
Totals	**$ 7,000,000**	**$ 9,000,000**	**$ 6,350,000**	**$ 22,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 2,100,000
Ramp Program (UCP)	50,000	-	-	50,000
Ramp Program	100,000	150,000	150,000	400,000
Homebuyer Education Initiative	150,000	150,000	-	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	2,000,000	6,000,000
Competitive Grants	4,000,000	6,000,000	3,500,000	13,500,000
Totals	**$ 7,000,000**	**$ 9,000,000**	**$ 6,350,000**	**$ 22,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

During FY 2009, THDA received a loan of $3.25 million from a local financial institution for the Housing Trust Fund. These funds will be used to fund short-term second mortgages for low income Tennesseans for homeowner rehabilitation. As required by the lending financial institution, this program is limited to residents in middle Tennessee. THDA is actively pursuing additional financial institutions to also join this program throughout the state.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

During FY 2007, much media attention was devoted to certain types of mortgages commonly known as "sub-prime" mortgages.

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers a below market interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2007, which offers a loan with an interest rate that is 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans made or purchased by THDA with Loan-to-value (LTV) rations between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; who are rated at least AA by Standard & Poor's Rating Group; and who provide protection against involuntary job loss at no extra cost to the borrower. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance. The maximum acceptable LTV is 97%.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/Programs/Mortgage/choices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2009, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,914	778	54,242,587	3.00%
90+ Days Past Due	25,914	1,452	103,219,318	5.60%
In Foreclosure	25,914	154	11,243,068	0.59%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

As of June 30, 2008, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,071	718	48,525,692	2.75%
90+ Days Past Due	26,071	1,089	70,223,930	4.18%
In Foreclosure	26,071	87	5,326,487	0.33%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

Fiscal Year 2009 saw a continuation of decreasing interest rates that were first noted in July 2007. Interest rates fell from July 2006 through May 2007, briefly reversed up until July 2007, but have trended downward ever since.

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
(Expressed in Thousands)

	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)	June 30, 2009	June 30, 2008
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	$ 408,177	$ 97,306	$ 132,294	$ 267,393
Investments (Note 2)	12,042	144,319	88,217	29,908
Receivables:				
Accounts	22,915	19,034	20,957	9,761
Interest	14,349	13,517	13,794	11,909
First mortgage loans	46,715	38,437	44,135	43,983
Other	-	6,690	123	113
Due from federal government	11,169	10,055	11,589	11,841
Total current assets	515,367	329,358	311,109	374,908
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents (Note 2)	3,194	666	11,115	4,996
Investments (Note 2)	189,767	194,833	183,261	195,562
Investment interest receivable	2,973	3,140	1,956	2,543
Investments (Note 2)	68,819	75,350	79,738	70,585
First mortgage loans receivable	2,031,453	1,986,586	1,955,274	1,941,831
Deferred charges	12,922	12,806	12,822	12,204
Advance to local government	2,946	2,922	2,928	2,882
Capital assets:				
Furniture and equipment	238	237	238	238
Less accumulated depreciation	(209)	(159)	(209)	(159)
Total noncurrent assets	2,312,103	2,276,381	2,247,123	2,230,682
Total assets	2,827,470	2,605,739	2,558,232	2,605,590
LIABILITIES				
Current liabilities:				
Warrants / wires payable (Note 3)	13,541	11,450	12,450	7,625
Accounts payable	2	2	1,975	2,873
Accrued payroll and related liabilities	-	-	392	410
Compensated absences	515	466	515	426
Due to primary government	-	-	-	3
Interest payable	23,907	24,358	47,990	47,287
Escrow deposits	517	840	643	3,837
Prepayments on mortgage loans	2,041	2,103	1,808	2,016
Notes payable (Note 4)	-	84,261	-	-
Bonds payable (Note 4)	50,600	71,530	79,315	100,890
Deferred revenue	-	7	8	8
Total current liabilities	91,123	195,017	145,096	165,375
Noncurrent liabilities:				
Notes payable (Note 4)	3,688	3,250	3,250	88,720
Bonds payable (Note 4)	2,211,262	1,884,530	1,893,246	1,851,405
Compensated absences	557	505	557	462
Net OPEB obligation (Note 9)	602	281	602	281
Escrow deposits	4,484	6,162	4,241	4,412
Arbitrage rebate payable	3,775	3,146	3,146	2,254
Deferred revenue	28	219	29	219
Total noncurrent liabilities	2,224,396	1,898,093	1,905,071	1,947,753
Total liabilities	2,315,519	2,093,110	2,050,167	2,113,128
NET ASSETS				
Invested in capital assets	28	78	29	79
Restricted for single family bond programs (Note 5 and Note 7)	499,984	500,881	492,973	478,807
Restricted for grant programs (Note 5)	8,689	12,541	11,909	10,232
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,154	3,154	3,154	3,154
Unrestricted (Note 7)	97	(4,025)	-	190
Total net assets	$ 511,952	$ 512,629	$ 508,065	$ 492,462

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Nine Months Ended March 31, 2009 (Unaudited)	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
OPERATING REVENUES				
Mortgage interest income	$ 89,167	$ 90,063	$ 119,500	$ 111,142
Investment income:				
Interest	9,545	11,638	15,344	23,965
Net increase (decrease) in the fair value of investments	(3,141)	9,732	2,561	14,791
Federal grant administration fees	9,161	8,831	11,148	10,692
Fees and other income	2,575	2,046	2,416	3,773
Total operating revenues	107,307	122,310	150,969	164,363
OPERATING EXPENSES				
Salaries and benefits	9,947	10,028	13,743	13,562
Contractual services	1,998	2,091	2,624	2,659
Materials and supplies	301	356	527	788
Rentals and insurance	45	930	1,212	1,180
Other administrative expenses	364	537	639	671
Other program expenses	3,571	2,025	3,140	3,417
Interest expense	69,025	70,797	93,103	97,328
Mortgage service fees	5,531	5,514	7,303	6,867
Issuance costs	531	523	693	733
Depreciation	-	-	50	57
Total operating expenses	91,313	92,801	123,034	127,262
Operating income	15,994	29,509	27,935	37,101
NONOPERATING REVENUES (EXPENSES)				
Federal grants revenue	176,364	137,474	185,092	181,661
Other grant revenue	380	645	1,358	543
Payment from primary government	-	350	350	3,000
Federal grants expenses	(176,107)	(140,526)	(189,042)	(179,495)
Local grants expenses	(12,744)	(7,285)	(10,090)	(7,740)
Total nonoperating revenues (expenses)	(12,107)	(9,342)	(12,332)	(2,031)
Change in net assets	3,887	20,167	15,603	35,070
Total net assets, July 1	508,065	492,462	492,462	457,392
Total net assets, End of period	$ 511,952	$ 512,629	$ 508,065	$ 492,462

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Nine Months Ended March 31, 2009 (Unaudited)	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Cash flows from operating activities:				
Receipts from customers	$ 252,700	$ 212,669	$ 303,583	$ 265,949
Receipts from federal government	3,973	5,009	6,187	6,196
Other miscellaneous receipts	2,698	2,041	2,406	3,756
Acquisition of mortgage loans	(244,752)	(180,456)	(214,506)	(448,156)
Payments to service mortgages	(5,531)	(5,514)	(7,303)	(6,867)
Payments to suppliers	(9,845)	(6,914)	(10,565)	(5,728)
Payments to federal government	128	75	-	(2,216)
Payments to employees	(10,134)	(10,049)	(12,763)	(12,703)
Net cash provided (used) by operating activities	(10,763)	16,861	67,039	(199,769)
Cash flows from non-capital financing activities:				
Operating grants received	182,352	144,077	192,088	183,859
Negative cash balance implicitly financed	1,091	3,826	4,825	7,625
Proceeds from sale of bonds	475,531	169,678	219,678	368,330
Proceeds from issuance of notes	500	47,580	47,580	198,945
Operating grants paid	(189,347)	(148,693)	(199,518)	(188,300)
Cost of issuance paid	(1,621)	(1,606)	(2,142)	(2,816)
Principal payments	(182,992)	(295,480)	(328,245)	(584,366)
Interest paid	(92,992)	(96,023)	(93,553)	(93,325)
Net cash provided (used) by non-capital financing activities	192,522	(176,641)	(159,287)	(110,048)
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	-	(71)
Net cash used by capital and related financing activities	-	-	-	(71)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	325,304	259,562	378,527	370,031
Purchases of investments	(247,869)	(286,191)	(432,090)	(283,461)
Investment interest received	8,799	11,028	15,868	25,958
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	12	964	963	4,316
Net cash provided (used) by investing activities	86,246	(14,637)	(36,732)	116,844
Net increase (decrease) in cash and cash equivalents	268,005	(174,417)	(128,980)	(193,044)
Cash and cash equivalents, July 1	143,409	272,389	272,389	465,433
Cash and cash equivalents, End of period	$ 411,414	$ 97,972	$ 143,409	$ 272,389

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Nine Months Ended March 31, 2009 (Unaudited)	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 15,994	$ 29,509	$ 27,935	$ 37,101
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	531	523	743	790
Changes in assets and liabilities:				
(Increase) in accounts receivable	(1,958)	(9,273)	(11,196)	(2,705)
(Increase) in mortgage interest receivable	(825)	(1,597)	(1,823)	(1,572)
(Increase) in first mortgage loans receivable	(78,777)	(45,819)	(13,641)	(284,701)
(Increase) in due from federal government	(5,188)	(3,822)	(5,036)	(4,496)
(Increase) in deferred charges	(2,385)	(1,637)	(2,232)	(183)
(Increase) decrease in other receivables	123	(5)	(10)	(17)
(Decrease) in accounts payable	(1,127)	(3,149)	(4,085)	(3,463)
Increase (decrease) in accrued payroll / compensated absences	(392)	(327)	487	369
(Decrease) in due to primary government	-	(3)	(3)	(105)
(Decrease) in deferred revenue	(9)	(1)	(190)	(80)
Increase in arbitrage rebate liability	629	892	892	721
Investment (income) included as operating revenue	(6,404)	(21,370)	(17,905)	(38,756)
Interest expense included as operating expense	69,025	72,940	93,103	97,328
Total adjustments	(26,757)	(12,648)	39,104	(236,870)
Net cash provided (used) by operating activities	$ (10,763)	$ 16,861	$ 67,039	$ (199,769)
Noncash investing, capital, and financing activities:				
Accretion of deep discount bonds	$ -	$ -	$ -	$ (149)
Increase (decrease) in fair value of investments	(1,873)	8,653	1,713	7,336
Total noncash investing, capital, and financing activities	$ (1,873)	$ 8,653	$ 1,713	$ 7,187

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq*. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, approves its operating budget, and provides some financial support. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds. The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Bond Issuance Costs, Refunding Costs, and Interest Accretion

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond and Note Refunding Costs: The agency amortizes bond and note refunding costs using the straight-line method. Bonds and notes payable are reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

4. Interest Accretion: The difference between the face amount of deep discount bonds and the public offering price is not treated as bond discount. Deep discount bonds are subject to redemption at prices which increase from the public offering price up to the face amount. The carrying amount of these bonds is adjusted monthly to reflect the increased liability, with a corresponding charge to interest expense.

5. Mortgage Discount: Discounts on 30-year mortgage loans purchased by the agency are amortized using the straight-line method over 17 years, the estimated average life of mortgages. The amount amortized is credited to interest income.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

l. Accounting Change

The agency implemented the Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during the year ended June 30, 2008. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expense and related liabilities, note disclosures, and required supplementary information. The statement was implemented prospectively with a zero net OPEB obligation at transition.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At March 31, 2010, the bank balance was $770,076. At March 31, 2009, the bank balance was $610,234. At June 30, 2009, the bank balance was $1,404,893. At June 30, 2008, the bank balance was $1,137,834. All bank balances were insured. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report may be obtained by writing to the Tennessee Department of the Treasury, 502 Deaderick Street, Nashville, Tennessee 37243-0225, or by calling (615) 741-2956.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	March 31, 2010		**March 31, 2009**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$169,715,354	1.890	$205,340,159	1.769
U.S. Agency Discount	24,990,313	0.247	30,983,400	0.256
U.S. Treasury Coupon	87,199,962	5.942	93,358,194	6.623
U.S. Treasury Discount	300,011,318	0.019	0	NA
Repurchase Agreements	55,000,000	0.060	0	NA
Pass Through Securities	0	NA	1,770,579	0.238
Total	$636,916,947	1.087	$331,452,332	2.261

	June 30, 2009		**June 30, 2008**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$200,097,788	1.369	$207,507,837	2.923
U.S. Agency Discount	60,948,600	0.255	88,787,358	0.024
U.S. Treasury Coupon	88,406,383	6.428	86,707,807	6.937
Repurchase Agreements	80,000,000	0.000	109,000,000	0.000
Pass Through Securities	1,763,903	0.120	1,839,146	0.603
Total	$431,216,674	1.753	$493,842,148	2.248

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.
The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.219 of par on June 26, 2003. Although these securities were scheduled to mature on June 26, 2018, these bonds were called on September 26, 2008. The fair value of these securities on June 30, 2008 was $3,009,375, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.688 of par on August 9, 2007. Although these securities were scheduled to mature on June 21, 2022, these bonds were called on September 21, 2008. The fair value of these securities on June 30, 2008, was $2,011,210 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at par on February 25, 2008. Although these securities were scheduled to mature on January 25, 2023, these bonds were called on April 25, 2009. The fair value of these securities on June 30, 2008, was $4,992,187 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,150,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.063 of par on February 29, 2008. Although these securities were scheduled to mature on February 22, 2011, these bonds were called on November 22, 2008. The fair value of these securities on June 30, 2008, was $3,150,000 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on March 3, 2008. Although these securities were scheduled to mature on February 28, 2018, these bonds were called on May 28, 2009. The fair value of these securities on June 30, 2008, was $1,990,777 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on December 30, 2008, and mature on December 30, 2010. The fair value of these securities on June 30, 2009, is $3,019,689 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.25% with a step-up option to 3.5% on December 30, 2009. This investment is callable only once on December 30, 2009.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at 99.8125 of par on January 28, 2009, and mature on July 28, 2014. The fair value of these securities on June 30, 2009, is $1,970,000 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on July 28, 2011. This investment is callable semi-annually beginning July 28, 2009, and ending January 28, 2010, and is then callable quarterly beginning on April 28, 2010, and ending on April 28, 2014.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at 99.84375 of par on January 30, 2009, and mature on January 30, 2014. The fair value of these securities on June 30, 2009, is $2,000,626 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 30, 2011. This investment is callable quarterly beginning on April 30, 2009, and ending on January 30, 2011.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009, and mature on April 17, 2024. The fair value of these securities on June 30, 2009, is $1,919,972 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 5.0% on April 17, 2012, to 6.0% on April 17, 2015, to 7.0% on April 17, 2018, and to 9.0% on April 17, 2021. This investment is callable quarterly beginning on October 17, 2009, and ending on January 17, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at par on May 13, 2009, and mature on May 13, 2010. The fair value of these securities on June 30, 2009, is $5,001,565 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.5% with a step-up option to 1.5% on November 13, 2009. This investment is callable only once on November 13, 2009.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.302 of par on May 20, 2009, and mature on March 13, 2023. The fair value of these securities on June 30, 2009, is $1,004,756 which is included in

U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 5.5% with a step-up option to 6.0% on March 13, 2013, and to 7.0% on March 13, 2018. This investment is callable quarterly beginning on June 13, 2009, and ending on December 13, 2022.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on May 26, 2009, and mature on May 26, 2017. The fair value of these securities on June 30, 2009, is $1,975,912 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on May 26, 2011, to 6.0% on May 26, 2013, and to 8.0% on May 26, 2015. This investment is callable quarterly beginning on May 26, 2010, and ending on February 26, 2017.

The agency purchased $3,720,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at 99.9687538 of par on May 28, 2009, and mature on May 28, 2014. The fair value of these securities on June 30, 2009, is $3,679,314 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on May 28, 2011, and to 6.0% on May 28, 2013. This investment is callable quarterly beginning on August 28, 2009, and ending on February 28, 2014.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 19, 2009, and mature on June 15, 2010. The fair value of these securities on June 30, 2009, is $5,003,125 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.5% with a step-up option to 1.0% on December 15, 2009. This investment is callable only once on December 15, 2009.

The agency purchased $425,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.96 of par on June 19, 2009, and mature on October 15, 2013. The fair value of these securities on June 30, 2009, is $429,287 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.0% with a step-up option to 4.25% on October 15, 2009, to 4.5% on October 15, 2010, and to 5.0% on October 15, 2011. This investment is callable beginning on October 15, 2009, and anytime thereafter.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at par on June 24, 2009, and mature on June 24, 2014. The fair value of these securities on June 30, 2009, is $2,000,626 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.5% with a step-up option to 5.0% on June 24, 2011. This investment is callable quarterly beginning on December 24, 2009, and ending on June 24, 2011.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at 99.875 of par on August 19, 2009, and mature on August 19, 2014. The fair value of these securities on December 31, 2009, is $1,003,438 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.75% with a step-up option to 4.0% on August 19, 2011. This investment is callable quarterly beginning on February 19, 2010, and ending on August 19, 2011.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at 99.95 of par on November 12, 2009, and mature on November 12, 2024. The fair value of these securities on December 31, 2009, is $1,812,547 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.00% with a step-up option to 5.0% on November 12, 2013, to 6.5% on

November 12, 2016, to 8.0% on November 12, 2018, to 9.0% on November 12, 2020, and to 10.0% on November 12, 2022. This investment is callable quarterly beginning on May 12, 2010, and ending on August 12, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Administration. They were purchased at par on January 6, 2010, and mature on January 6, 2025. The fair value of these securities on March 31, 2010, is $5,010,938 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 6.5% on July 6, 2010. This investment is callable quarterly beginning on July 6, 2010, and ending on October 6, 2024.

The agency purchased $3,760,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.19 of par on January 19, 2010, and mature on April 27, 2012. The fair value of these securities on March 31, 2010, is $3,761,175 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on April 27, 2010. This investment is callable only once on April 27, 2010.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010, and mature on January 28, 2025. The fair value of these securities on March 31, 2010, is $2,532,353 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.25% with a step-up option to 5.0% on January 28, 2015 and to 7.0% on January 28, 2020. This investment is callable quarterly beginning on January 28, 2011, and ending on October 28, 2024.

The agency purchased $5,150,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.0152 of par on March 4, 2010. Although these securities were scheduled to mature on March 26, 2013, these bonds were called on March 16, 2010.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on March 24, 2010, and mature on March 24, 2015. The fair value of these securities on March 31, 2010, is $996,875 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.50% with a step-up option to 3.0% on June 24, 2010. This investment is callable only once on June 24, 2010.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of March 31, 2010, March 31, 2009, June 30, 2009 and June 30, 2008 are included in the schedules below. Securities are rated using Standard and Poor's and / or Moody's and are presented below using the Standard and Poor's rating scale.

March 31, 2010

Investment Type	Fair Value	U.S. Treasury / Agency[1]	Credit Quality Rating AAAm	AAA	AA-2	P-1	Not Rated[3]
U.S. Agency Coupon	$169,715,354			$161,160,843	$5,111,953		$3,442,558
U.S. Agency Discount	24,990,313					$24,990,313	
U.S. Treasury Coupon	87,199,962	$87,199,962					
U.S. Treasury Discount	300,011,318	300,011,318					
Repurchase Agreements	55,000,000			30,000,000			25,000,000
Money Market Mutual Fund	37,281,279		$37,281,279				
Total	$674,198,226	$387,211,280	$37,281,279	$191,160,843	$5,111,953	$24,990,313	$28,442,558

March 31, 2009

Investment Type	Fair Value	U.S. Treasury / Agency[1]	Credit Quality Rating AAAm	AAA	A-1+	Not Rated[3]
U.S. Agency Coupon	$205,340,159			$201,634,348		$3,705,811
U.S. Agency Discount	30,983,400				$30,983,400	
U.S. Treasury Coupon	93,358,194	$93,358,194				
Pass Through Securities	1,770,579					1,770,579
Money Market Mutual Fund	98,542,377		$98,542,377			
Total	$429,994,709	$93,358,194	$98,542,377	$201,634,348	$30,983,400	$5,476,390

[1] Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

June 30, 2009							
		U.S.	**Credit Quality Rating**				
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAAm**	**AAA**	**A-1+[2]**	**AA-2**	**Not Rated[3]**
U.S. Agency Coupon	$200,097,788			$161,726,533		$4,940,625	$33,430,630
U.S. Agency Discount	60,948,600			29,949,000	$30,999,600		
U.S. Treasury Coupon	88,406,383	$88,406,383					
Repurchase Agreements	80,000,000						80,000,000
Pass Through Securities	1,763,903						1,763,903
Money Market Mutual Fund	58,869,923		$58,869,923				
Total	$490,086,597	$88,406,383	$58,869,923	$191,675,533	$30,999,600	$4,940,625	$115,194,533

June 30, 2008							
		U.S.	**Credit Quality Rating**				
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAAm**	**AAA**	**A-1+[2]**	**AA-**	**Not Rated[3]**
U.S. Agency Coupon	$207,507,837			$194,373,114		$5,174,375	$7,960,348
U.S. Agency Discount	88,787,358				$88,787,358		
U.S. Treasury Coupon	86,707,807	$86,707,807					
Repurchase Agreements	109,000,000				20,000,000		89,000,000
Pass Through Securities	1,839,146						1,839,146
Money Market Mutual Fund	$69,489,499		$69,489,499				
Total	$563,331,647	$86,707,807	$69,489,499	$194,373,114	$108,787,358	$5,174,375	$98,799,494

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

[1] Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

	March 31, 2010		March 31, 2009	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$59,732,925	8.43	$64,128,308	15.31
Federal Home Loan Mortgage Corp	$0	NA	$59,369,237	14.11
Federal National Mortgage Assoc	$97,212,845	13.41	$109,778,354	26.28
Repurchase Agreements – U.S. Agency	$55,000,000	7.75	$0	NA

	June 30, 2009		June 30, 2008	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$63,689,474	14.72	$153,221,911	31.00
Federal Home Loan Mortgage Corp	$42,228,984	9.77	$51,447,476	10.45
Federal National Mortgage Assoc	$143,051,399	33.33	$75,367,121	15.24
Repurchase Agreements – U.S. Agency	$80,000,000	18.61	$109,000,000	21.97

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2010	Ending Balance 3/31/2009	Ending Balance 6/30/2009	Ending Balance 6/30/2008
MORTGAGE FINANCE PROGRAM BONDS							
2003A	7/1/2004-7/1/2034	191,885	1.70 to 5.35	93,060	111,130	$107,865	127,105
Less: Deferred Amount on Refundings				(2,768)	(2,920)	(2,882)	(3,034)
Net Mortgage Finance Program Bonds				$90,292	$108,210	$104,983	$124,071

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2010	Ending Balance 3/31/2009	Ending Balance 6/30/2009	Ending Balance 6/30/2008
HOMEOWNERSHIP PROGRAM BONDS							
1996-3	7/1/99-7/1/2028	65,000	4.30 to 6.00	6,550	7,950	$7,570	12,280
1996-5	7/1/99-7/1/2028	60,000	3.85 to 5.75	17,480	19,555	19,030	21,790
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	17,285	19,725	19,320	22,035
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	11,450	13,895	13,410	16,290
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	11,885	14,210	13,730	16,405
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	5,625	6,640	6,335	7,580
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	13,355	16,445	15,835	20,850
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	5,850	6,920	6,555	8,590
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	17,150	22,400	21,565	26,275

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2010	Ending Balance 3/31/2009	Ending Balance 6/30/2009	Ending Balance 6/30/2008
HOMEOWNERSHIP PROGRAM BONDS (cont.)							
1999-3	7/1/2001-7/1/2031	110,000	4.30 to 6.15	14,045	21,970	21,025	25,760
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	16,290	21,190	20,460	28,735
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	61,045	64,655	63,830	68,770
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	21,255	24,000	23,655	26,855
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	19,855	23,155	22,675	26,910
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	29,115	32,945	32,240	38,385
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	33,865	39,615	38,880	45,990
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	23,145	26,955	26,285	30,415
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	32,615	37,430	36,285	41,545
2003-3	7/1/2004-1/1/2034	75,000	1.20 to 5.00	38,555	43,960	43,025	49,050
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	46,495	52,400	51,555	58,015
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	60,715	69,180	68,135	78,075
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	64,665	72,495	71,445	80,075
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	72,745	82,495	80,495	89,595
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	75,235	85,740	83,990	92,565
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	79,910	89,320	87,630	95,520
2006-2	7/1/2007–1/1/2037	100,000	3.90 to 5.75	76,240	88,685	86,720	96,070
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	83,515	92,375	91,055	97,740
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	87,615	95,040	93,915	100,000
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	107,360	115,420	114,185	120,000
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	131,330	144,035	142,555	150,000
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	135,560	145,295	143,855	150,000
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	53,810	59,615	58,965	60,000
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	45,040	50,000	50,000	-0-
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	82,595	90,000	90,000	-0-
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	29,390	30,000	30,000	-0-
2009-1	1/1/2010-7/1/2029	50,000	1.00 to 5.00	49,450	-0-	50,000	-0-
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	75,000	-0-	-0-	-0-
Total Homeownership Program Bonds		$3,073,855		$1,753,085	$1,825,710	$1,846,210	$1,802,165
Plus: Unamortized Bond Premiums				21,894	26,347	25,377	30,439
Less: Deferred Amount on Refundings				(3,410)	(4,207)	(4,009)	(4,380)
Net Homeownership Program Bonds				$1,771,569	$1,847,850	$1,867,578	$1,828,224

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2010	Ending Balance 3/31/2009	Ending Balance 6/30/2009	Ending Balance 6/30/2008
HOUSING FINANCE PROGRAM BONDS							
2009-A	1/1/2011-1/1/2040	100,000	0.900 to 4.625	100,000	-0-	-0-	-0-
2009-B	7/1/2041	300,000	Variable	300,000	-0-	-0-	-0-
Total Housing Finance Program Bonds		$400,000		$400,000	$-0-	$-0-	$-0-
Net Total All Issues				$2,261,861	$1,956,060	$1,972,561	$1,952,295

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2009 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2010	$78,689	$93,318	$172,007
2011	51,718	92,628	144,346
2012	49,903	90,545	140,448
2013	46,918	88,550	135,468
2014	44,223	86,633	130,856
2015 – 2019	215,806	404,928	620,734
2020 – 2024	227,226	362,069	589,295
2025 – 2029	231,156	294,690	525,846
2030 – 2034	296,550	225,629	522,179
2035 – 2039	737,263	115,199	852,462
Total	$1,979,452	$1,854,189	$3,833,641

The debt principal in the preceding table is $6,891,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the nine months ended March 31, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $148,030,000. The respective carrying values of the bonds were $10,651,667 and $150,460,729. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,430,729.

During the nine months ended March 31, 2009, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $7,980,000 and in the Homeownership Program in the amount of $74,570,000. The respective carrying values of the bonds were $7,930,910 and $76,094,908. This resulted in an expense to the Mortgage Finance Program of $49,090 and in income to the Homeownership Program of $1,524,908.

During the year ended June 30, 2009, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,245,000 and in the Homeownership Program in the amount of $107,985,000. The respective carrying values of the bonds were $11,187,700 and $110,279,862. This resulted in an expense to the Mortgage Finance Program of $57,300 and in income to the Homeownership Program of $2,294,862.

On July 1, 2008, a fourth drawdown was made on the Series 2007 CN-1 Notes in the amount of $44,330,000. These proceeds were used on the same day to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $35,785,000 early redemption and $8,545,000 current maturities). The carrying amount of these bonds was $45,277,489. The refunding resulted in a difference of $947,489 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On August 7, 2008, the agency issued $50,000,000 in Homeownership Bonds, Issue 2008-2. On August 14, 2008, the agency used these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used November 1, 2007, January 2, 2008, and July 1, 2008 to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $20,171,444 over the next 14 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $1,628,880.

On December 18, 2008, the agency issued $30,000,000 in Homeownership Bonds, Issue 2008-4. On January 2, 2009, the agency used $4,820,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $675,000 early redemption and $4,145,000 current maturities). The carrying amount of these bonds was $4,814,144. The refunding resulted in a difference of $5,856 between the reacquisition price and the net carrying amount of the old debt. The refunding increased the agency's debt service by $2,590,125 over the next 10.5 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $51,209.

During the year ended June 30, 2008, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $7,005,000 and in the Homeownership Program in the amount of $41,665,000. The respective carrying values of the bonds were $6,932,377 and $41,913,138. This resulted in an expense to the Mortgage Finance Program of $72,623 and in income to the Homeownership Program of $248,138.

On July 2, 2007, the agency used $31,535,000 of the 2004CN-1, to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $16,035,000 early redemption and $15,500,000 current maturities). The carrying amount of these bonds was $31,907,968. The refunding resulted in a difference of $372,968 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate. Also on this date, the agency used $10,840,000 of the proceeds from the Homeownership Program Bond Issue 2007-2 to refund certain bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of these bonds was $10,828,861. The refunding reduced the agency's debt service by $8,821,013 over the next 23 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,987,199.

On August 7, 2007, the agency issued $150,000,000 in Homeownership Bonds, Issue 2007-3. On August 9, 2007, the agency used $85,295,000 of these bonds to refund the convertible drawdown notes, 2004 CN-1, which were used December 8, 2005, July 3, 2006, and January 2, 2007, to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The agency also used $14,725,000 of these bonds to refund the convertible drawdown notes, 2004 CN-1, which were used December 8, 2005 to refund the convertible drawdown notes, 2002 CN-1, at maturity. The convertible drawdown notes, 2002 CN-1 were used July 1, 2004, to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding reduced the agency's debt service by $2,177,304 over the next 25 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $241,907.

On August 9, 2007, the first drawdown was made on the Series 2007 CN-1 Notes in the amount of $91,695,000. These proceeds were used to refund the convertible drawdown notes, 2004 CN-1, at maturity.

On October 11, 2007, a second drawdown was made on the Series 2007 CN-1 Notes in the amount of $61,250,000. These proceeds were used on November 1, 2007 to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $61,251,179 early redemption and $0 current maturities). The difference between the amount of the drawdown and the early redemption is $1,179, which is due to accretion. The carrying amount of these bonds was $61,170,222. The refunding resulted in a difference of $80,957 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On October 30, 2007, the agency issued $150,000,000 in Homeownership Bonds, Issue 2007-4. On November 8, 2007, the agency used $55,275,000 of these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used August 9, 2007 to refund the convertible drawdown notes, 2004 CN-1, at maturity. The convertible drawdown notes, 2004 CN-1 were used January 2, 2007, and July 2, 2007, to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $3,156,726 over the next 24 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $1,189,810.

On January 2, 2008, a third drawdown was made on the Series 2007 CN-1 Notes in the amount of $46,000,000. These proceeds were used on the same day to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $39,860,000 early redemption and $6,140,000 current maturities). The carrying amount of these bonds was $46,592,662. The refunding resulted in a difference of $592,662 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On May 29, 2008, the agency issued $60,000,000 in Homeownership Bonds, Issue 2008-1. On June 12, 2008, the agency used $36,420,000 of these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used August 9, 2007 to refund the convertible drawdown notes, 2004 CN-1, at maturity. The agency also used $18,530,000 of these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used October 11, 2007, and January 2, 2008 to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The convertible drawdown notes, 2004 CN-1 were used July 1, 2005, January 1, 2006, July 3, 2006, January 2, 2007, and July 2, 2007, to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $34,743,879 over the next 19.5 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $1,865,753.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the nine months ended March 31, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance March 31, 2010	Amounts Due Within One Year
Notes Payable[1]	$3,250	$500	($62)	$3,688	$-0-
Bonds Payable	1,954,075	475,000	(182,930)	2,246,145	50,600
Plus: Unamortized Bond Premiums	25,377	532	(4,015)	21,894	-0-
Less: Deferred Amount on Refundings	(6,891)	(6)	720	(6,177)	-0-
Compensated Absences	1,072	-0-	(-0-)	1,072	515
Net OPEB Obligation	602	-0-	-0-	602	-0-
Escrow Deposits	4,884	2,495	(2,378)	5,001	517
Arbitrage Rebate Payable	3,146	967	(338)	3,775	-0-
Deferred Revenue	37	56	(65)	28	-0-
Total	$1,985,552	$479,544	($189,068)	$2,276,028	$51,632

The following table is a summary of the long-term liability activity for the nine months ended March 31, 2009.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance March 31, 2009	Amounts Due Within One Year
Notes Payable[1]	$88,720	$47,580	($50,000)	$86,300	$83,050
Plus: Refund Premium on Bonds	-0-	1,211	-0-	1,211	-0-
Bonds Payable	1,929,270	170,000	(162,430)	1,936,840	71,530
Plus: Unamortized Bond Premiums	30,439	-0-	(4,092)	26,347	-0-
Less: Deferred Amount on Refundings	(7,414)	(423)	710	(7,127)	-0-
Compensated Absences	888	84	(-0-)	972	466
Net OPEB Obligation	281	-0-	-0-	281	-0-
Escrow Deposits	8,249	875	(2,122)	7,002	840
Arbitrage Rebate Payable	2,254	1,005	(113)	3,146	-0-
Deferred Revenue	227	76	(76)	227	7
Total	$2,052,914	$220,408	($218,123)	$2,055,199	$155,893

The following table is a summary of the long-term liability activity for the year ended June 30, 2009.

[1] Included in the Notes Payable line is $3,250,000 payable to Fifth Third Bank for the Housing Trust Fund program. Interest is being charged quarterly at 3% with the payable maturing on December 22, 2011. Included in the Notes Payable line is $500,000 payable to First State Bank for the Housing Trust Fund Program. Principal and interest are being paid monthly with the payable maturing on August 4, 2012.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Notes Payable	$88,720	$47,580	($133,050)	$3,250	$-0-
Bonds Payable	1,929,270	220,000	(195,195)	1,954,075	79,315
Plus: Unamortized Bond Premiums	30,439	-0-	(5,062)	25,377	-0-
Less: Deferred Amount on Refundings	(7,414)	(426)	949	(6,891)	-0-
Compensated Absences	888	184	(-0-)	1,072	515
Net OPEB Obligation	281	449	(128)	602	-0-
Escrow Deposits	8,249	1,223	(4,588)	4,884	643
Arbitrage Rebate Payable	2,254	1,005	(113)	3,146	-0-
Deferred Revenue	227	294	(484)	37	8
Total	$2,052,914	$270,309	($337,671)	$1,985,552	$80,481

The following table is a summary of the long-term liability activity for the year ended June 30, 2008.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Amounts Due Within One Year
Notes Payable	$247,675	$198,945	($357,900)	$88,720	$-0-
Bonds Payable	1,795,587	360,149	(226,466)	1,929,270	100,890
Plus: Unamortized Bond Premiums	25,010	8,436	(3,007)	30,439	-0-
Less: Deferred Amount on Refundings	(8,330)	(759)	1,675	(7,414)	-0-
Compensated Absences	838	586	(536)	888	426
Net OPEB Obligation	-0-	443	(162)	281	-0-
Escrow Deposits	12,991	3,138	(7,880)	8,249	3,837
Arbitrage Rebate Payable	1,533	3,247	(2,526)	2,254	-0-
Deferred Revenue	307	262	(342)	227	8
Total	$2,075,611	$574,447	($597,144)	$2,052,914	$105,161

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

The following table is a summary of the drawdown note activity for the nine months ended March 31, 2009.

NOTES ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity	Stated Principal	Interest Rate (Percent)	Beginning Balance 7/01/2008	Additions	Reductions	Ending Balance 3/31/2009
SINGLE FAMILY MORTGAGE NOTES							
2007CN-1	8/12/2010	$ 450,000	0.000 to 4.822	$88,720	$44,330	($133,050)	$-0-

The following table is a summary of the drawdown note activity for the year ended June 30, 2009.

NOTES ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity	Stated Principal	Interest Rate (Percent)	Beginning Balance 7/01/2008	Additions	Reductions	Ending Balance 6/30/2009
SINGLE FAMILY MORTGAGE NOTES							
2007CN-1	8/12/2010	$ 450,000	0.000 to 4.822	$88,720	$44,330	$(133,050)	$-0-

The following table is a summary of the drawdown note activity for the year ended June 30, 2008.

NOTES ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity	Stated Principal	Interest Rate (Percent)	Beginning Balance 7/01/2007	Additions	Reductions	Ending Balance 6/30/2008
SINGLE FAMILY MORTGAGE NOTES							
2004CN-1	8/9/2007	$ 450,000	4.622 to 5.098	$247,675	$-0-	($247,675)	$-0-
2007CN-1	8/12/2010	$ 450,000	1.846 to 4.822	-0-	198,945	(110,225)	88,720
Total Single Family Mortgage Notes				$247,675	$198,945	($357,900)	$88,720

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Principal and interest are charged monthly with the principal maturing on August 4, 2012.

The activity of the 2004CN-1 and 2007CN-1 notes shown above as well as the promissory note are also included in the summary of long-term liability activity in part d. of this note.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provides temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency is allowed to hold the outstanding notes through December 31, 2009, after which the notes will be available to reissue. However, in accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency is allowed to hold its outstanding notes purchased from Morgan Keegan. The agency is allowed to hold the outstanding notes through December 31, 2010, after which the notes will be available to reissue.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 502 Deaderick Street, Nashville, Tennessee, 37243-0201 or by calling (615) 741-7063.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 12.96% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were $1,201,303, $1,297,298, and $1,175,459. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2009, and June 30, 2008, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA employees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-201 for the state plan and *TCA* 8-27-701 for the Medicare Supplement Plan. Prior to reaching age 65, retirees may participate in the State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, or by calling (615) 741-2140.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2009	June 30, 2008
Annual Required Contribution (ARC)	$448	$443
Interest on the Net OPEB Obligation	13	-0-
Adjustment to the ARC	(12)	-0-
Annual OPEB cost	449	443
Amount of contribution	(128)	(162)
Increase in Net OPEB Obligation	321	281
Net OPEB obligation-beginning of year	281	-0-
Net OPEB obligation-end of year	$602	$281

Year End*	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2008	State Employee Group Plan	$ 443	37%	$ 281
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602

*Data not available for one preceding year.

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2007, was as follows (Thousands):

Actuarial valuation date	7/1/2007
Actuarial accrued liability (AAL)	$ 3,902
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,902
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,595
UAAL as a percentage of covered payroll	41%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 6 percent after ten years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2009, the State of Tennessee made payments of $2,528 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2008, made payments of $2,550. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report may be obtained by writing to the Tennessee

Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, or by calling (615) 741-2140.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. SUBSEQUENT EVENTS

a. Mortgage prepayments, foreclosure proceeds, and note proceeds were used to redeem bonds as indicated below:

July 1, 2009	Mortgage Finance Program	$ 2,580,000
	Homeownership Program	$40,480,000
	Total	$43,060,000

b. Homeownership Program Bonds, Issue 2009-3, were authorized by the Board of Directors on September 17, 2009, not to exceed $100,000,000.

c. Homeownership Program Bonds, Issue 2009-2, were sold on September 30, 2009. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-2	7/1/2010-7/1/2030	$75,000	0.90 to 5.00
TOTAL ALL ISSUES		$75,000	

d. Mortgage prepayments, foreclosure proceeds, and note proceeds were used to redeem bonds as indicated below:

October 1, 2009	Mortgage Finance Program	$ 5,440,000
	Homeownership Program	$60,215,000
	Total	$65,655,000

NOTE 13. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Housing Finance Program Bonds, Issue 2009-A, were sold on December 23, 2009. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625
TOTAL ALL ISSUES		$100,000	

b. Housing Finance Program Bonds, Issue 2009-B, were sold on December 23, 2009. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B	7/1/2041	300,000	Variable
TOTAL ALL ISSUES		$300,000	

c. Mortgage prepayments, foreclosure proceeds, and note proceeds were used to redeem bonds as indicated below:

January 1, 2010	Mortgage Finance Program	$ 2,675,000
	Homeownership Program	$47,335,000
	Total	$50,010,000

d. Mortgage prepayments, foreclosure proceeds, and note proceeds were used to redeem bonds as indicated below:

June 17, 2010	Homeownership Program	$20,595,000

e. Housing Finance Program Bonds, Issue 2010-A, were sold on June 17, 2010. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2010-A	1/1/2011-7/1/2027	$74,710	0.600 to 5.000
TOTAL ALL ISSUES		$74,710	

f. Housing Finance Program Bonds, Issue 2009-B, Subseries B-1, were sold on June 17, 2010. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-1	7/1/2041	$85,290	3.96
TOTAL ALL ISSUES		$85,290	

g. Mortgage prepayments, foreclosure proceeds, and note proceeds were used to redeem bonds as indicated below:

July 1, 2010	Mortgage Finance Program	$ 3,305,000
	Homeownership Program	$74,945,000
	Housing Finance Program	$455,000
	Total	$78,705,000

h. Mortgage prepayments, foreclosure proceeds, and note proceeds will be used to redeem bonds as indicated below:

October 1, 2010	Mortgage Finance Program	$ 3,455,000
	Homeownership Program	$47,985,000
	Housing Finance Program	$425,000
	Total	$51,865,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date*	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%

*Two additional years will be reported as data becomes available.

Exhibit A

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF NET ASSETS
(Expressed in Thousands)

	March 31, 2010 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,772	$ 23,242	$ 76,992	$ 304,087	$ 84	$ 408,177
Investments	-	2,535	9,507	-	-	12,042
Receivables:						
Accounts	-	1,981	20,906	28	-	22,915
Interest	-	1,389	12,600	360	-	14,349
First mortgage loans	-	5,543	39,158	2,014	-	46,715
Other	-	-	-	-	-	-
Due from federal government	11,169	-	-	-	-	11,169
Due from other funds	5,424	-	-	-	-	5,424
Total current assets	20,365	34,690	159,163	306,489	84	520,791
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	-	3,194	-	-	3,194
Investments	-	17,160	169,537	3,070	-	189,767
Investment interest receivable	-	269	2,680	24	-	2,973
Investments	-	30,905	37,889	25	-	68,819
First mortgage loans receivable	208	149,280	1,770,916	111,049	-	2,031,453
Deferred charges	23	448	11,527	924	-	12,922
Advance to local government	2,946	-	-	-	-	2,946
Capital assets:						
Furniture and equipment	238	-	-	-	-	238
Less accumulated depreciation	(209)	-	-	-	-	(209)
Total noncurrent assets	3,206	198,062	1,995,743	115,092	-	2,312,103
Total assets	23,571	232,752	2,154,906	421,581	84	2,832,894
LIABILITIES						
Current liabilities:						
Warrants / wires payable	13,541	-	-	-	-	13,541
Accounts payable	-	2	-	-	-	2
Accrued payroll and related liabilities	-	-	-	-	-	-
Compensated absences	515	-	-	-	-	515
Interest payable	-	1,147	21,728	1,032	-	23,907
Escrow deposits	-	517	-	-	-	517
Prepayments on mortgage loans	-	115	1,790	136	-	2,041
Due to other funds	-	-	5,424	-	-	5,424
Bonds payable	-	7,355	42,280	965	-	50,600
Deferred revenue	-	-	-	-	-	-
Total current liabilities	14,056	9,136	71,222	2,133	-	96,547
Noncurrent liabilities:						
Notes payable	3,688	-	-	-	-	3,688
Bonds payable	-	82,937	1,729,290	399,035	-	2,211,262
Compensated absences	557	-	-	-	-	557
Net OPEB obligation	602	-	-	-	-	602
Escrow deposits	240	4,244	-	-	-	4,484
Arbitrage rebate payable	-	128	3,566	-	81	3,775
Deferred revenue	-	28	-	-	-	28
Total noncurrent liabilities	5,087	87,337	1,732,856	399,035	81	2,224,396
Total liabilities	19,143	96,473	1,804,078	401,168	81	2,320,943
NET ASSETS						
Invested in capital assets	28	-	-	-	-	28
Restricted for single family bond programs	-	128,740	350,828	20,413	3	499,984
Restricted for grant programs	1,149	7,540	-	-	-	8,689
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	-	3,154
Unrestricted	97	-	-	-	-	97
Total net assets	$ 4,428	$ 136,280	$ 350,828	$ 20,413	$ 3	$ 511,952

June 30, 2009				
Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Single Family Mortgage Notes	Totals
$ 3,260	$ 15,390	$ 113,560	$ 84	$ 132,294
-	20,929	67,288	-	88,217
-	1,983	18,974	-	20,957
-	1,430	12,364	-	13,794
75	5,674	38,386	-	44,135
123	-	-	-	123
11,589	-	-	-	11,589
7,977	-	-	-	7,977
23,024	45,406	250,572	84	319,086
-	2,905	8,210	-	11,115
-	20,127	163,134	-	183,261
-	153	1,803	-	1,956
-	29,419	50,319	-	79,738
150	155,199	1,799,925	-	1,955,274
25	526	12,271	-	12,822
2,928	-	-	-	2,928
238	-	-	-	238
(209)	-	-	-	(209)
3,132	208,329	2,035,662	-	2,247,123
26,156	253,735	2,286,234	84	2,566,209
12,450	-	-	-	12,450
1,884	10	81	-	1,975
392	-	-	-	392
515	-	-	-	515
-	2,627	45,363	-	47,990
-	643	-	-	643
-	113	1,695	-	1,808
-	-	7,977	-	7,977
-	8,750	70,565	-	79,315
-	8	-	-	8
15,241	12,151	125,681	-	153,073
3,250	-	-	-	3,250
-	96,233	1,797,013	-	1,893,246
557	-	-	-	557
602	-	-	-	602
241	4,000	-	-	4,241
-	-	3,079	67	3,146
-	29	-	-	29
4,650	100,262	1,800,092	67	1,905,071
19,891	112,413	1,925,773	67	2,058,144
29	-	-	-	29
-	132,495	360,461	17	492,973
3,082	8,827	-	-	11,909
3,154	-	-	-	3,154
-	-	-	-	-
$ 6,265	$ 141,322	$ 360,461	$ 17	$ 508,065

Exhibit B

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ -	$ 6,088	$ 81,812	$ 1,267	$ -	$ 89,167
Investment income:						
Interest	22	1,546	7,950	27	-	9,545
Net increase (decrease) in the fair value of investments	-	(463)	(2,727)	49	-	(3,141)
Federal grant administration fees	9,161	-	-	-	-	9,161
Fees and other income	2,223	352	-	-	-	2,575
Total operating revenues	11,406	7,523	87,035	1,343	-	107,307
OPERATING EXPENSES						
Salaries and benefits	9,947	-	-	-	-	9,947
Contractual services	1,998	-	-	-	-	1,998
Materials and supplies	301	-	-	-	-	301
Rentals and insurance	45	-	-	-	-	45
Other administrative expenses	364	-	-	-	-	364
Other program expenses	106	1,924	1,517	1	23	3,571
Interest expense	83	3,768	64,142	1,032	-	69,025
Mortgage service fees	-	372	5,078	81	-	5,531
Issuance costs	-	34	492	5	-	531
Depreciation	-	-	-	-	-	-
Total operating expenses	12,844	6,098	71,229	1,119	23	91,313
Operating income (loss)	(1,438)	1,425	15,806	224	(23)	15,994
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	176,364	-	-	-	-	176,364
Other grant revenue	-	380	-	-	-	380
Payment from primary government	-	-	-	-	-	-
Federal grants expenses	(176,107)	-	-	-	-	(176,107)
Local grants expenses	(2,050)	(5,080)	(5,614)	-	-	(12,744)
Total nonoperating revenues (expenses)	(1,793)	(4,700)	(5,614)	-	-	(12,107)
Income (loss) before transfers	(3,231)	(3,275)	10,192	224	(23)	3,887
Transfers (to) other funds	-	(1,767)	(19,825)	-	-	(21,592)
Transfers from other funds	1,394	-	-	20,189	9	21,592
Change in net assets	(1,837)	(5,042)	(9,633)	20,413	(14)	3,887
Total net assets, July 1	6,265	141,322	360,461	-	17	508,065
Total net assets, End of period	$ 4,428	$ 136,280	$ 350,828	$ 20,413	$ 3	$ 511,952

For the Year Ended June 30, 2009

Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Single Family Mortgage Notes	Totals
$ -	$ 9,188	$ 110,312	$ -	$ 119,500
147	3,057	12,140	-	15,344
-	(1,135)	3,017	679	2,561
11,148	-	-	-	11,148
2,430	(14)	-	-	2,416
13,725	11,096	125,469	679	150,969
13,743	-	-	-	13,743
2,624	-	-	-	2,624
527	-	-	-	527
1,212	-	-	-	1,212
639	-	-	-	639
81	628	2,359	72	3,140
22	5,663	87,976	(558)	93,103
-	520	6,783	-	7,303
-	52	624	17	693
50	-	-	-	50
18,898	6,863	97,742	(469)	123,034
(5,173)	4,233	27,727	1,148	27,935
185,092	-	-	-	185,092
-	1,358	-	-	1,358
350	-	-	-	350
(189,022)	(20)	-	-	(189,042)
61	(6,403)	(3,748)	-	(10,090)
(3,519)	(5,065)	(3,748)	-	(12,332)
(8,692)	(832)	23,979	1,148	15,603
-	(7,863)	(6)	(1,012)	(8,881)
8,881	-	-	-	8,881
189	(8,695)	23,973	136	15,603
6,076	150,017	336,488	(119)	492,462
$ 6,265	$ 141,322	$ 360,461	$ 17	$ 508,065

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF CASH FLOWS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ (2)	$ 19,027	$ 232,339	$ 1,336	$ -	$ 252,700
Receipts from federal government	3,973	-	-	-	-	3,973
Receipts from other funds	2,553	-	-	-	-	2,553
Other miscellaneous receipts	2,346	352	-	-	-	2,698
Acquisition of mortgage loans	-	(6,743)	(124,625)	(113,384)	-	(244,752)
Payments to service mortgages	-	(372)	(5,078)	(81)	-	(5,531)
Payments to suppliers	(4,405)	(1,889)	(3,541)	(1)	(9)	(9,845)
Payments to federal government	-	128	-	-	-	128
Payments to other funds	-	-	(2,553)	-	-	(2,553)
Payments to employees	(10,134)	-	-	-	-	(10,134)
Net cash provided (used) by operating activities	(5,669)	10,503	96,542	(112,130)	(9)	(10,763)
Cash flows from non-capital financing activities:						
Operating grants received	181,972	380	-	-	-	182,352
Transfers in (out)	1,394	(1,767)	(19,825)	20,189	9	-
Negative cash balance implicitly financed	1,091	-	-	-	-	1,091
Proceeds from sale of bonds	-	-	75,531	400,000	-	475,531
Proceeds from issuance of notes	500	-	-	-	-	500
Operating grants paid	(178,653)	(5,080)	(5,614)	-	-	(189,347)
Cost of issuance paid	-	-	(691)	(930)	-	(1,621)
Principal payments	(62)	(14,805)	(168,125)	-	-	(182,992)
Interest paid	(83)	(5,091)	(87,818)	-	-	(92,992)
Net cash provided (used) by non-capital financing activities	6,159	(26,363)	(206,542)	419,259	9	192,522
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	83,690	247,268	350	-	331,308
Purchases of investments	-	(64,278)	(186,190)	(3,405)	-	(253,873)
Investment interest received	22	1,438	7,335	4	-	8,799
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	3	9	-	12
Net cash provided (used) by investing activities	22	20,850	68,416	(3,042)	-	86,246
Net increase in cash and cash equivalents	512	4,990	(41,584)	304,087	-	268,005
Cash and cash equivalents, July 1	3,260	18,295	121,770	-	84	143,409
Cash and cash equivalents, End of period	$ 3,772	$ 23,285	$ 80,186	$ 304,087	$ 84	$ 411,414

For the Year Ended June 30, 2009

Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Single Family Mortgage Notes	Totals
$ (30)	$ 25,182	$ 278,431	$ -	$ 303,583
6,112	-	75	-	6,187
-	-	5,477	-	5,477
2,420	(14)	-	-	2,406
-	(13,045)	(201,461)	-	(214,506)
-	(520)	(6,783)	-	(7,303)
(6,084)	(577)	(3,899)	(5)	(10,565)
-	-	-	-	-
(4,859)	(618)	-	-	(5,477)
(12,763)	-	-	-	(12,763)
(15,204)	10,408	71,840	(5)	67,039
190,730	1,358	-	-	192,088
8,881	(7,853)	(1,051)	23	-
4,825	-	-	-	4,825
-	-	219,678	-	219,678
3,250	-	-	44,330	47,580
(189,347)	(6,423)	(3,748)	-	(199,518)
-	-	(2,125)	(17)	(2,142)
-	(19,240)	(175,955)	(133,050)	(328,245)
(22)	(5,916)	(86,951)	(664)	(93,553)
18,317	(38,074)	(50,152)	(89,378)	(159,287)
-	117,810	284,793	-	402,603
-	(98,731)	(357,435)	-	(456,166)
147	3,616	12,105	-	15,868
-	14	270	679	963
147	22,709	(60,267)	679	(36,732)
3,260	(4,957)	(38,579)	(88,704)	(128,980)
-	23,252	160,349	88,788	272,389
$ 3,260	$ 18,295	$ 121,770	$ 84	$ 143,409

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2010 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (1,438)	$ 1,425	$ 15,806	$ 224	$ (23)	$ 15,994
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	-	34	492	5	-	531
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	2	(1,932)	(28)	-	(1,958)
(Increase) decrease in mortgage interest receivable	-	33	(498)	(360)	-	(825)
(Increase) decrease in first mortgage loans receivable	(1)	6,050	28,237	(113,063)	-	(78,777)
(Increase) in due from federal government	(5,188)	-	-	-	-	(5,188)
(Increase) decrease in deferred charges	2	43	(2,430)	-	-	(2,385)
(Increase) decrease in other receivables	123	-	-	-	-	123
Decrease in interfund receivables	2,553	-	-	-	-	2,553
(Decrease) in interfund payables	-	-	(2,553)	-	-	(2,553)
Increase (decrease) in accounts payable	(1,389)	112	14	136	-	(1,127)
Increase (decrease) in accrued payroll / compensated absences	(392)	-	-	-	-	(392)
(Decrease) in due to primary government	-	-	-	-	-	-
(Decrease) in deferred revenue	-	(9)	-	-	-	(9)
Increase in arbitrage rebate liability	-	128	487	-	14	629
Investment (income) included as operating revenue	(22)	(1,083)	(5,223)	(76)	-	(6,404)
Interest expense included as operating expense	83	3,768	64,142	1,032	-	69,025
Total adjustments	(4,231)	9,078	80,736	(112,354)	14	(26,757)
Net cash provided (used) by operating activities	$ (5,669)	$ 10,503	$ 96,542	$ (112,130)	$ (9)	$ (10,763)
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	-	(75)	(1,851)	53	-	(1,873)
Total noncash investing, capital, and financing activities	$ -	$ (75)	$ (1,851)	$ 53	$ -	$ (1,873)

For the Year Ended June 30, 2009				
Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Single Family Mortgage Notes	Totals
$ (5,173)	$ 4,233	$ 27,727	$ 1,148	$ 27,935
50	52	624	17	743
-	(1,114)	(10,082)	-	(11,196)
-	(1)	(1,822)	-	(1,823)
-	7,621	(21,262)	-	(13,641)
(5,036)	-	-	-	(5,036)
3	57	(2,292)	-	(2,232)
(10)	-	-	-	(10)
-	-	5,477	-	5,477
(4,859)	(618)	-	-	(5,477)
(538)	(3,373)	(174)	-	(4,085)
487	-	-	-	487
(3)	-	-	-	(3)
-	(190)	-	-	(190)
-	-	825	67	892
(147)	(1,922)	(15,157)	(679)	(17,905)
22	5,663	87,976	(558)	93,103
(10,031)	6,175	44,113	(1,153)	39,104
$ (15,204)	$ 10,408	$ 71,840	$ (5)	$ 67,039
-	(1,073)	2,786	-	1,713
$ -	$ (1,073)	$ 2,786	$ -	$ 1,713

Exhibit D

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
MARCH 31, 2010
(Expressed in Thousands)
(Unaudited)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 14,001	$ 8,299	$ 22,300	$ 942	$ 23,242
Investments	1,767	512	2,279	256	2,535
Receivables:					
Accounts	1,720	256	1,976	5	1,981
Interest	1,071	301	1,372	17	1,389
First mortgage loans	5,067	476	5,543	-	5,543
Total current assets	23,626	9,844	33,470	1,220	34,690
Noncurrent assets:					
Restricted assets:					
Investments	17,160	-	17,160	-	17,160
Investment interest receivable	269	-	269	-	269
Investments	7,683	21,246	28,929	1,976	30,905
First mortgage loans receivable	145,580	3,700	149,280	-	149,280
Deferred charges	448	-	448	-	448
Total noncurrent assets	171,140	24,946	196,086	1,976	198,062
Total assets	194,766	34,790	229,556	3,196	232,752
LIABILITIES					
Current liabilities:					
Accounts payable	-	2	2	-	2
Interest payable	1,147	-	1,147	-	1,147
Escrow deposits	-	-	-	517	517
Prepayments on mortgage loans	113	2	115	-	115
Bonds payable	7,355	-	7,355	-	7,355
Total current liabilities	8,615	4	8,619	517	9,136
Noncurrent liabilities:					
Bonds payable	82,937	-	82,937	-	82,937
Escrow deposits	-	1,787	1,787	2,457	4,244
Arbitrage rebate payable	-	128	128	-	128
Deferred revenue	-	28	28	-	28
Total noncurrent liabilities	82,937	1,943	84,880	2,457	87,337
Total liabilities	91,552	1,947	93,499	2,974	96,473
NET ASSETS					
Restricted for single family bond programs	103,215	25,303	128,518	222	128,740
Restricted for grant programs	-	7,540	7,540	-	7,540
Total net assets	$ 103,215	$ 32,843	$ 136,058	$ 222	$ 136,280

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) any private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA, or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement of 3.5% based on the estimated cost of acquisition. Closing costs are not included in calculating this 3.5% requirement, but may be included to satisfy this requirement. The maximum loan to value percentages applicable in Tennessee are 98.75% for properties with an appraised value or sales price of $50,000 or less and 96.5% for properties with an appraised value or sales price greater than $50,000.

Under the FHA programs which insure THDA's Program Loans, insurance benefits are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed 2/3 of the mortgage lender's foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate.

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

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

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the maximum guaranty specified in the Veterans Act of 2004 based on type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration) Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

THDA has Program Loans in its portfolio that are insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Program Loans Closed Prior to July 29, 1999

Pursuant to the Act, THDA required private mortgage insurance coverage for loans not guaranteed by VA or USDA/RD or insured by FHA if the principal amount of the loan exceeded seventy-five percent (75%) of the lesser of the purchase price or the appraised value of the property with respect to Program Loans closed prior to July 29, 1999. No private mortgage insurance coverage was required if the borrower had an equity interest of twenty-five percent (25%) or more in the property at the time of closing so that the principal amount of the loan was less than seventy-five percent (75%) of the lesser of the purchase price or the appraised value. THDA's policy was to require an amount of private mortgage insurance coverage that, together with the borrower's downpayment and taking into account the amount of the loan in relation to the lesser of the purchase price or appraised value of the property, results in THDA's level of exposure being no greater than THDA's level of exposure would be if the principal amount of the loan was seventy-five percent (75%) of the lesser of the purchase price or appraised value. For Program Loans closed in June, 1994 and thereafter, THDA accepted private mortgage insurers who were authorized by the Tennessee Commissioner of Insurance to do business in Tennessee and who were rated at least AA by Standard & Poor's.

THDA's minimum requirements for private mortgage insurance coverage were as follows:

Loan-to-Value Ratio	PMI Coverage
95.01 - 97%	30%
90.01 - 95%	25%
85.01 - 90%	17%
75.01 - 85%	12%

THDA also permitted loans made under certain programs developed by individual private mortgage insurance providers that insured loans with higher loan to value ratios. Each private mortgage insurer with this type of a program had specific program requirements. All of THDA's other requirements applied and, in general, the following private mortgage insurance requirements applied:

Loan-to-Value Ratio	PMI Coverage
90.01 - 97%	30%
85.01 - 90%	25%
80.01 - 85%	12%

A firm commitment to issue a private mortgage insurance policy or guaranty was in effect at the time of closing and THDA was named as the mortgagee insured or guaranteed. The private mortgage insurance is maintained for the life of the loan unless THDA expressly permits termination of coverage. THDA does not permit termination of coverage unless the outstanding principal amount of the loan is equal to or less than 75% of the purchase price or appraised value of the property, the borrower has a good payment history and the borrower has otherwise complied with all conditions of the loan.

Program Loans Closed Between July 29, 1999, and September 30, 2006

Due to the requirements of the Homeowners Protection Act of 1998 (the "Homeowners Protection Act"), which supersedes certain provisions of the Act, THDA required private mortgage insurance coverage for Program Loans closed between July 29, 1999, and September 30, 2006, and not guaranteed by VA or USDA/RD or insured by FHA if the principal amount of the Program Loan exceeds seventy-eight percent (78%) of the lesser of the purchase price or the appraised value. THDA's policy was to require an amount of private mortgage insurance coverage that, together with the borrower's downpayment and taking into account the amount of the loan in relation to the lesser of the purchase price or appraised value of the property, results in THDA's level of exposure being no greater than THDA's level of exposure would be if the principal amount of the loan was seventy-eight percent (78%) of the lesser of the purchase price or appraised value.

THDA's minimum requirements for private mortgage insurance coverage for Program Loans closed between July 29, 1999, and September 30, 2006, were:

Loan-to-Value Ratio	PMI Coverage
95.01 - 97%	35%
90.01 - 95%	30%
85.01 - 90%	25%
78.01 - 85%	12%
below 78%	not required

A firm commitment to issue a private mortgage insurance policy or guaranty was in effect at the time of closing and THDA was named as the mortgagee insured or guaranteed. The private mortgage insurance must be maintained for the life of the loan unless THDA expressly permits termination of coverage in accordance with the requirements of the Homeowners Protection Act. THDA accepted private mortgage insurers who were authorized by the Tennessee Commissioner of Insurance to do business in Tennessee and who were rated at least AA by S&P.

Program Loans Closed Between October 1, 2006, and April 14, 2008

THDA required private mortgage insurance coverage for all Program Loans closed between October 1, 2006, and March 31, 2008, if the principal amount of the Program Loan exceeds seventy-eight percent (78%) of the lesser of the purchase price or appraised value and the Program Loan was not guaranteed by VA or USDA/RD or insured by FHA. THDA accepted private mortgage insurance provided by private mortgage insurers who were authorized by the Tennessee Commissioner of Insurance to do business in Tennessee; who were rated at least AA by Standard & Poor's; and who provided protection against involuntary job loss at no extra cost to the borrower.

THDA allowed privately insured Program Loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae under the Fannie Mae "My Community Mortgage" program or by Freddie Mac under the Freddie Mac "Home Possible" program. These loans were approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans had loan-to-value ratios up to and including 100% of the lesser of the purchase price or the appraised value, based on the requirements of the insurer or guarantor.

THDA's minimum requirements for private mortgage insurance coverage for Program Loans closed between October 1, 2006, and March 31, 2008, were as follows:

Loan-to-Value Ratio	PMI Coverage
97.01 - 100%	20%
95.01 - 97.00%	18%
90.01 - 95.00%	16%
85.01 - 90.00%	12%
78.01 - 85.00%	6%

A firm commitment to issue a private mortgage insurance policy was in effect at the time of closing and THDA was named as the mortgagee insured. The private mortgage insurance must be maintained for the life of the loan unless THDA expressly permits termination of coverage in accordance with the requirements of the Homeowners Protection Act.

Program Loans Closed Between April 15, 2008, and January 1, 2009

THDA required private mortgage insurance coverage for all Program Loans closed between April 1, 2008, and January 1, 2009, if the principal amount of the Program Loan exceeded seventy-eight percent (78%) of the lesser of the purchase price or appraised value and the Program Loan was not guaranteed by VA or USDA/RD or insured by FHA. THDA accepted private mortgage insurance provided by private mortgage insurers who were authorized by the Tennessee Commissioner of Insurance to do business in Tennessee; who were rated at least AA by S&P; and who provided protection against involuntary job loss at no extra cost to the borrower.

THDA allowed privately insured Program Loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae under the Fannie Mae "My Community Mortgage" program or by Freddie Mac under the Freddie Mac "Home Possible" program. These loans were approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans were permitted to have loan-to-value ratios no greater than 97% of the lesser of the purchase price or the appraised value.

Effective April 15, 2008, THDA's minimum requirements for private mortgage insurance coverage were as follows:

Loan-to-Value Ratio	PMI Coverage
95.01 - 97.00%	30%
90.01 - 95.00%	22%
85.01 - 90.00%	17%
78.01 - 85.00%	12%

Current Market Conditions

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

Program Loans Closed After January 1, 2009

Effective January 2, 2009, THDA is no longer purchasing conventional, privately insured loans since no private mortgage insurers currently have ratings of at least AA by Standard & Poor's Rating Service, a division of the McGraw-Hill Companies, Inc.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's portfolio. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current

Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Homeownership Program Bond Resolution (the "General Resolution") contains various covenants and security provisions, including various amendments required by the rating agencies to obtain an upgraded rating for Bonds under the General Resolution, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, as amended, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

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

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 5.1.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation, the maximum amount of the principal, sinking fund installments and interest maturing, required to be made and becoming due on all Bonds of THDA then Outstanding under the Resolution (a) in any succeeding State fiscal year or (b) in any succeeding calendar year, whichever is greater.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

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

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;
- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA cost of issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Rules and Regulations, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its Program under this Resolution and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds, all to the extent properly allocable to the Program. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Debt Service Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and coupons and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds and coupons.

Obligation of Bonds (Section 2.3)

The Bonds will be general obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; right, title, and interest in and to the Program Loans; and any other funds legally available therefor.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

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

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

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Debt Service Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

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

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately after such delivery is required to be deposited in the Debt Service Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited in the Loan Fund.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

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

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran’s Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 75% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Debt Service Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,
Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Debt Service Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see "Revenue Fund"). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary costs of issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph, there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Debt Service Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Debt Service Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under "Redemption of Bonds."

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

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Debt Service Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semiannually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semiannual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Debt Service Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Debt Service Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Debt Service Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. After the particular Bonds to be redeemed have been selected, the Trustee must publish notice of redemption in the Authorized Newspapers weekly for at least two weeks commencing at least thirty days prior to the redemption date. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 30 days prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

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

Payment of Bonds (Section 7.4)

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

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a “mortgage subsidy bond” pursuant to the applicable federal tax law or as an “industrial development bond” within the meaning of the applicable federal tax law, except in the case of Bonds held by a “substantial user” or “related person” within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

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

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Homeownership Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Homeownership Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant's certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and estimated expenses of the Homeownership Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Homeownership Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

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

Events of Default (Sections 10.1 and 10.10)

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

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

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

Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

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

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

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

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

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

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

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

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

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

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

OTHER FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (The 2009 General Resolution)

THDA has issued bonds in the initial aggregate principal amount of $474,710,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

		Principal Amount			
Issue of Bonds	**Dated**	**Issued**	**Outstanding as of July 31, 2010 (unaudited)**	**Mortgage Rates**	**Net Interest Cost**
2009-A	December 23, 2009	$100,000,000	$ 99,545,000	4.98/5.00/5.28/5.30/5.58/5.60/5.80	3.96%
2009-B	December 23, 2009	300,000,000	214,710,000		(1)
2010-A	June 17, 2010	160,000,000	160,000,000(2)	4.60/4.75/4.90/4.98/5.05/5.20/5.28/5.35/5.58	
TOTAL		$474,710,000	$474,255,000		

(1) Variable rate, taxable. Scheduled to convert to fixed rate, non-taxable in 2010 and 2011.

(2) $85,290,000 of proceeds are Issue 2009-B, Subseries B-1 NIBP bonds.

THDA issued $300,000,000 aggregate principal amount of Issue 2009-B Bonds in December, 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the “New Issue Bond Program”) announced by the United States Department of the Treasury (“Treasury”), Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the “Purchasers”) pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund established by the Issue 2009-A/B Supplemental Resolution (the “Escrow Fund”). Under the New Issue Bond Program, the Purchasers exchanged the Issue 2009-B Bonds for securities issued by the Purchasers (“GSE Securities”) backed by the Issue 2009-B Bonds which were purchased by the Treasury. Such GSE Securities are not part of the security for the Issue 2009-B Bonds. The Issue 2009-B Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 16, 2011.

In June 2010, THDA released $85,290,000 from the Escrow Fund and sold $56,860,000 in additional bonds to investors. THDA used the proceeds released from the Escrow Fund together with the proceeds of the additional bonds to continue to make mortgage loans that secure bonds under the 2009 General Resolution.

Housing Bond Resolution (Mortgage Finance Program) (The 1974 General Resolution)

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

		Principal Amount			
Issue of Bonds	**Dated**	**Issued**	**Outstanding as of July 31, 2010 (unaudited)**	**Mortgage Rates**	**Net Interest Cost**
2003 Series A	September 4, 2003	$191,885,000	$85,940,000	7.05/7.75	4.90%
TOTAL		$191,885,000	$85,940,000		

THDA made mortgage loans from proceeds of bonds previously issued and outstanding under the 1974 General Resolution under several programs. From September 1993 to December 1998, THDA offered the Special Targeted Affordable Rate for Tennessee Program (the “Start Program”) using certain recycled prepayments received from bonds issued under the 1974 General Resolution. In 1999, THDA financed Great Start loans using $40,000,000 in prepayments received under the 1974 General Resolution. THDA no longer funds Start Program loans and no longer finances Great Start loans from the 1974 General Resolution.

From 2003 to 2007, THDA offered the Disaster Relief and Economic Recovery Program using certain recycled prepayments received under the 1974 General Resolution. This program was developed in response to certain natural disasters that occurred in Tennessee and was available to very low, low and moderate income households in counties declared federal disaster areas for individual assistance. Although mortgage loans are not currently being originated under this program, authorization for the program remains in place.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgages and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Great Save Loans

Pursuant to the temporary authority contained in Section 3021(b) of the Housing and Economic Recovery Act of 2008, THDA established the Great Save loan program. Great Save loans are to refinance “qualified subprime loans”, defined as adjustable rate single family residential mortgage loans made after December 31, 2001, and before January 1, 2008, that THDA determines would be reasonably likely to cause financial hardship to the borrower if not refinanced. Great Save loans will be insured and will otherwise meet THDA income limits, credit and underwriting criteria for Program Loans. THDA has committed $5,000,000 of available funds under the 1974 General Resolution for Great Save Loans. THDA does not anticipate using proceeds of the Offered Bonds to finance Great Save loans.

Single Family Program Bond Resolution (The 1981 Resolution)

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the “Issue 1994-1 Bonds”) the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

While no mortgages or bonds are currently outstanding under the 1981 Resolution, THDA may, in the future, elect to issue new bonds under the 1981 Resolution. The mortgages and investments financed with the proceeds of any new bonds issued under the 1981 Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1981 Resolution.

THDA Funds

Introduction

In 1988, the General Assembly of the State amended THDA’s Act to create the Assets Fund, the Housing Program Fund, the Housing Program Reserve Fund, and the HOUSE Program. The funds were created to ensure the stability of the HOUSE Program and to enhance the self-sufficiency of THDA. The Housing Program Fund, the Housing Program Reserve Fund and the HOUSE Program, as well as other activities of THDA described herein, are financially separate from THDA’s bond resolutions and loan programs, including the Resolution and the Homeownership Program. See Appendix A for additional financial information. Certain actions by the General Assembly of the State of Tennessee have and may affect amounts in these funds. See “THDA - THDA Funds” for more information.

Assets Fund

The Act established the Assets Fund as a segregated fund and general asset of THDA. In 1989, THDA transferred monies and Mortgage Loans to the Assets Fund from the 1974 General Resolution; however, subsequent actions by the General Assembly resulted in the transfer of all monies in the Assets Fund to the State General Fund. THDA subsequently transferred all Mortgage Loans back to the General Fund of the 1974 General Resolution;

consequently, the Assets Fund currently has a zero balance. For a description of these transfers, see “THDA – THDA Funds.”

While there are no monies currently in the Assets Fund, the statutory structure of the Assets Fund remains. The statutory structure for the Assets Fund currently provides for the following:

1. Monies in the Assets Fund cannot be used for grant programs, may not be co-mingled with any proceeds of bonds issued by THDA and can be used only for the following purposes:
   a. To invest in investments permitted under State law and THDA’s bond resolutions;
   b. To support rental rehabilitation programs supported by federal funds administered by THDA; and
   c. For constructions loans for housing as otherwise authorized by the Act.
2. Investment income and principal from the Assets Fund may be transferred to the Housing Program Fund in accordance with the requirements of the Act.

Housing Program Fund

The Housing Program Fund is the vehicle for funding non-mortgage programs not otherwise funded through federal programs. THDA also pays operating and administrative expenses, including certain Program Expenses of the Homeownership Program, from the Housing Program Fund. See “THDA - THDA Funds” and “ASSUMPTIONS REGARDING OFFERED BONDS - Payment of Program Expenses” for more information.

Essentially, all revenues of THDA derived from sources other than its Homeownership Program or its other bond resolutions are deposited into the Housing Program Fund. These revenues include state tax revenue, if any, and investment income. Specifically, the sources of the monies in the Housing Program Fund[1] are:

1. Investment income transferred from the Assets Fund[2];
2. Investment income from the Housing Program Fund;
3. Appropriate principal, if any, transferred from the Assets Fund[2];
4. Federal funds THDA receives for federal programs it administers; and
5. Fees charged by THDA in connection with its non-mortgage programs, including fees received from the Low Income Housing Tax Credit Program, the multi-family bond authority program and other programs.

THDA receives no funds from the State of Tennessee for operating and administrative expenses. THDA pays most operating and administrative expenses with funds available therefor in the Housing Program Fund. Although THDA is authorized to pay all expenses associated with its loan programs, including Program Expenses of the Homeownership Program, from monies held under THDA’s bond resolutions, including the General Resolution, in accordance with their respective terms, THDA has elected to pay only certain expenses, such as Cost of Issuance, Underwriter’s fees, Trustee’s fees, servicing fees, foreclosure costs and other similar costs from its bond resolutions. THDA currently expects to continue to pay Program Expenses (other than Cost of Issuance, Underwriter’s fees, Trustee’s fees, servicing fees, foreclosure costs and other similar costs) and all other THDA operating and administrative costs and expenses from the Housing Program Fund to the extent possible. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses, and THDA may elect, in the future, to pay some or all additional Program Expenses from the Resolution. See “THDA - THDA Funds” for more information.

---

[1] Previously, state tax revenues, as authorized by T.C.A Section 13-23-402, consisting of 15.15% of the real estate transfer tax levied by T.C.A. Section 67-4-409(a) and 13% of the mortgage recording tax levied by T.C.A. Section 67-4-409(b) were deposited to the Housing Program Fund for HOUSE Program Grants. For fiscal year 1999-2000 and thereafter, these tax revenues are not available to THDA. See “THDA – THDA Funds” for a discussion of amendments to the Act that affect these tax revenues.

[2] The current Asset Fund balance is $0; therefore, no investment income or principal is currently available for transfer to the Housing Program Fund.

In addition to paying THDA operating and administrative expenses, monies in the Housing Program Fund can be used to (i) pay certain expenses of THDA bond issues; (ii) support future bond issues by providing additional funds to make lower interest rate loans to targeted groups; and (iii) make HOUSE Program grants. See "THDA Activities – HOUSE Program" below for more information. THDA no longer makes HOUSE Program grants.

Housing Program Reserve Fund

By amendments to the Act adopted by the General Assembly of the State in 1997, the Housing Program Reserve Fund was abolished as of September 30, 1998 and all funds remaining therein were transferred to the State of Tennessee General Fund. See "THDA - THDA Funds" for more information.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1981 Resolution, the 1974 General Resolution, any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

THDA Activities

Section 8 Existing Program

THDA administers the federal Section 8 Voucher and Certificate Programs in certain counties of the State. Under this "existing housing" program, eligible tenants receive vouchers or certificates and owners of apartments or single family homes rent homes directly to these eligible tenants. THDA makes the Section 8 housing assistance payments to landlords on behalf of tenants to enable them to rent existing housing. Landlords receive a rent which may not exceed a "fair market rent" established by the United States Department of Housing and Urban Development ("HUD") for each geographical area. Tenants pay an amount equal to 28% to 30% of family income, and the difference between that amount and the total rent due is paid by THDA with funds received from HUD under this Program. THDA has nine (9) regional offices through which this program is administered.

Section 8 New Construction Program

All the multi-family and group home developments financed by bonds previously issued under the 1974 General Resolution receive federal housing assistance payments pursuant to Section 8 of the United States Housing Act of 1937, as amended. No multi-family or group home developments have been financed by bonds issued under the General Resolution.

HUD regulations under Section 8 permit the mortgagor and THDA to pledge the federal subsidy payments as security for financing of the developments. Simultaneously with the execution of the Housing Assistance Payments Contract (the "Payments Contract"), the mortgagors of the developments financed by bonds previously issued under the Resolution have pledged such federal subsidy payments as security for the Program Loans on the developments, and in the Resolution THDA has pledged federal subsidy payments as security for the Bonds, including the 1994 Series B Bonds, to the extent that such payments constitute Revenue as defined in the Resolution. These developments are entitled to receive Section 8 subsidy payments for a term which expires at approximately the final maturity of the Program Loans for such developments.

HUD regulations provide that in the event of foreclosure, or assignment or sale to THDA in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld) subsidy payments will continue in accordance with the Payments Contract.

Payment of the subsidy will, pursuant to the HUD regulations, be paid into a special account maintained by THDA for the receipt of Section 8 payments. To the extent such subsidy payments are sufficient, THDA will disburse such subsidy payments by paying the amount of the current payments due from the mortgagors on the Program Loans to THDA, together with any amounts necessary to fund reserves required to be maintained by the mortgagor, with the balance, if any, being paid directly to the mortgagor for the payment of operating costs of the development and for other permitted uses.

The Annual Contributions Contract, the Agreement to Enter Into Housing Assistance Payments Contract and the Payments Contract all contain numerous agreements on the part of THDA and the mortgagors concerning, among other things, maintenance of the developments as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either THDA or the mortgagors, or both, may abate the payment of the federal subsidy, in whole or in part. Reference is made to the complete text of these agreements, and they are available for inspection at the offices of THDA. Default by a mortgagor in the performance of its obligations is an event of default under the terms of its mortgage to THDA which could permit foreclosure by THDA.

THDA covenants and agrees that it shall not take any action, fail to take any action, or, to the extent it has legal power, permit any mortgagor to take any action or fail to take any action, which would result in the loss or reduction of the federal subsidy payments.

Section 8 Contract Administration

THDA has been designated by HUD as the contract administrator for all Section 8 project based properties in Tennessee that may be assigned by HUD. THDA currently acts as contract administrator for 388 properties with a total of 29,531 Section 8 project based units.

Section 8 Restructuring

THDA was the participating administrative entity (“PAE”) for HUD’s Multifamily Housing Mortgage and Housing Assistance Restructuring Program in the State of Tennessee. However, by mutual agreement, THDA and HUD terminated their agreement and THDA is no longer the PAE for the State of Tennessee.

Research and Planning

THDA administers a comprehensive technical assistance program. The activities under this program include program development, annual preparation of a report on the need for housing in Tennessee, housing data collection, contracting with local development districts to provide technical assistance to local communities in developing housing plans and programs, performing housing market research, assisting sponsors and developers of residential housing by providing market and site data and design and energy conservation information and helping to assure technical compliance with federal and State laws and regulations. The collection of this technical assistance program data has enabled THDA to comply with certain requirements of Section 143 of the Code. Staff members also played an important role in developing program ideas and strategies.

Rental Rehabilitation Program

THDA participated in the Section 8 Moderate Rehabilitation Program, the Rental Rehabilitation Demonstration Program and the Rental Rehabilitation Program, all designed for rental properties. THDA provided permanent financing in the amount of $155,640 for the rehabilitation of 42 rental dwelling units in Knoxville, Tennessee, under the Rental Rehabilitation Demonstration Program. THDA administered the Rental Rehabilitation Program across the State except in Chattanooga, Knoxville, Nashville, and Memphis and provided rehabilitation and acquisition loan funds for the Rental Rehabilitation Programs in the cities of Knoxville and Nashville. From 1983 to 1985, THDA funded loans to rehabilitate 123 units in six cities in the total mortgage amount of $2,126,612. This program is no longer operating.

Low-Income Housing Tax Credit Program

The Tax Reform Act of 1986 created a tax credit to encourage the development of affordable rental housing for low-income persons. THDA is responsible for administering the low-income housing tax credit program for the State. The low income housing tax credit program began in 1987 and THDA, in accordance with an annually adopted allocation plan, previously allocated approximately $218,501,511 in low income housing tax credits for approximately 41,349 units through 2009.

THDA is also administering the Tax Credit Assistance Program (“TCAP”) created by the American Recovery and Reinvestment Act of 2009 and the Section 1602 Program created by the American Recovery and Reinvestment

Tax Act of 2009. Both programs are designed to assist low income housing tax credit developments fill financial gaps caused by loss of investors for low income housing tax credits. THDA currently has been awarded $39,032,515 for TCAP and $165,671,329 for the Section 1602 Program.

HOUSE Program

The HOUSE Program (Housing Opportunities Using State Encouragement) was a grant program for entitlement housing programs and for demonstration housing programs funded with a portion of State real estate transfer and mortgage recording taxes through the Housing Program Fund and the Housing Program Reserve Fund. The HOUSE program began in late 1988, and over the next ten years, THDA approved 234 applications totaling $30,006,240 for the entitlement portion of the program, and 391 applications totaling $62,365,945 for the demonstration portion of the program. In addition, HOUSE funds were made available for a variety of special programs including housing for persons being discharged from MHMR institutions; THDA's Bicentennial Neighborhoods Initiative; building wheel chair ramps for the disabled, and the Disaster Recovery for Housing Program.

The Act was amended in 1999 to redirect tax revenues that were previously available for this grant program, to the State General Fund for fiscal year 1999-2000. As a consequence, THDA developed the grant program described below at "Tennessee Housing Development Agency Grant Program For Fiscal Year 2000" for only one fiscal year. The Act was subsequently amended, in 2000, to permanently redirect the referenced tax revenues to the State General Fund. As a consequence, THDA is not making further HOUSE Program grants.

HOME Program

The HOME Investment Partnership Act was approved on November 28, 1990, as Title II of the Cranston-Gonzalez National Affordable Housing Act. The program provides Federal funds to state and local participating jurisdictions to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing units. From 1992 through 2010, THDA approved 724 applications from local governments and non-profit agencies for $229,737,635 and 123 applications from community housing development organizations ("CHDO's") for $47,338,201 in HOME funds. In addition, THDA allocated $3,440,000 of HOME funds through the American Dream Downpayment Initiative ("ADDI") for closing cost and downpayment assistance in 2004 through 2008. The ADDI program was not funded by HUD in FY 2010.

Rural Housing Repair Program

THDA has partnered with USDA Rural Development to provide funding for a rural housing repair program. Since 2004, THDA has awarded a total of $4,325,000 for use in this program in conjunction with USDA Rural Development funds. THDA awarded an additional $700,000 to USDA Rural Development in the fiscal year beginning in July 1, 2009.

Tennessee Housing Development Agency Grant Program For Fiscal Year 2000

To continue to support affordable housing activities in the absence of state funding for the HOUSE Program in fiscal year 2000, THDA approved a one year grant program in the amount of $7,160,000. $6,500,000 of this amount was removed from the lien of the 1974 General Resolution in accordance with the provisions thereof and $660,000 was recaptured HOUSE funds. These grants were awarded to 11 local housing programs, including Habitat organizations, for single family development and to 12 qualified counties and CDBG entitlement areas subject to matching requirements for qualified affordable housing activities. A portion of these grant funds was added to the rural and urban rounds of the HOME Program to serve as matching funds and there was a special set-aside of $1,000,000, targeted toward housing for a designated special needs population. THDA does not anticipate making additional grants of this type in subsequent fiscal years.

Non-Profit Capacity Building Programs

In cooperation with West Tennessee Legal Services, THDA provided $200,000 of HOME funds for a three year period to match a $400,000 Rural Housing and Economic Development grant to fund single family projects developed and operated by rural community housing development organizations in West Tennessee.

The BUILD loan program makes a total of $5,000,000 available for short term loans to build the capacity of non-profit organizations across the State in providing affordable housing for low income Tennesseans. As of July 31, 2010 (unaudited), a total of $4,153,968 in BUILD loans were approved, with the principal amount of $1,453,367 currently outstanding.

Community Investment Tax Credit Program

THDA, together with the Department of Revenue, administers a program by which eligible financial institutions may obtain a credit against state franchise and excise tax liability by making qualified funds available to qualified housing entities who are engaged in qualified low income housing activities. No funds of THDA or that are administered by THDA are used in this program.

DMRS Housing

In partnership with other agencies of State government, THDA is making $5,000,000 available, as a pilot program, to provide low interest construction loans to selected non-profit organizations who will construct single family housing units for disabled clients of the Division of Mental Retardation Services in the Department of Finance & Administration.

Section 8 Homeownership Voucher Program

In July 2001, THDA was authorized to implement a Section 8 Homeownership Voucher Program which permits, pursuant to federal rule and THDA policy, Section 8 tenant based assistance to be made available to eligible families for purchase, rather than rental, of a single family, owner occupied housing units. Certain Section 8 Homeownership Voucher holders may elect to purchase homes with a Program Loan.

Housing Trust Fund

In September 2006, THDA created a Housing Trust Fund to fund housing programs assisting persons with very low income, especially senior citizens, and persons with special needs. The Housing Trust Fund is currently comprised of an allocation of $34,350,000 ($6,000,000 in FY 06-07, $6,000,000 in FY 07-08, $6,000,000 in FY 08-09, $6,000,000 in FY 09-10, and $6,000,000 in FY 10-11) of THDA funds, which are funds removed from the lien of the 1974 General Resolution in accordance with its terms, an appropriation from the State in the amount of $1,000,000 made to THDA in the FY 2006-2007 Budget, an appropriation from the State in the amount of $3,000,000 made to THDA in the FY 2007-2008 Budget, and an appropriation from the State in the amount of $350,000 made to THDA in the FY 2008-2009 Budget.

THDA has funded 68 Competitive Grant projects throughout the State using $19,800,000 from the Housing Trust Fund. Other activities funded under the Housing Trust Fund include Ramps for the Disabled, USDA Rural Housing Repair Program and the Emergency Repair Program for the Elderly. THDA will fund a Housing Modification and Ramp Program for the Disabled in FY 2009-2010 in the amount of $800,000.

Effective February 2009, THDA expanded eligible activities under the Housing Trust Fund by introducing the Preserve Loan Program. The Preserve Loan Program is the result of a public/private partnership between THDA and private financial institutions for the benefit of eligible low and moderate income homeowners for eligible rehabilitation and home improvement activities on their principal residence. The Preserve Loan is for a maximum of $30,000 at 4% interest, is fully amortizing over a ten year term and is secured by a deed of trust. Preserve Loans are originated by lenders and non-profits approved by THDA and are serviced by THDA. Preserve Loans will not be funded with the proceeds of the Offered Bonds. The Preserve Loan Program is approved as a statewide program, however, it is currently operated in Middle Tennessee with a $3,250,000 investment made by Fifth Third Bank and is expected to operate in Madison County, Tennessee, with a $500,000 investment made by First State Bank.

Emergency Shelter Grant Program

The Emergency Shelter Grant Program (ESG) is contained in Subtitle B of Title IV of the Stewart B. McKinney Homeless Assistance Act. The ESG Program provides federal funds to communities and non-profit agencies to increase the quality of emergency shelters and transitional housing facilities for homeless individuals and families, to operate these facilities and provide essential services, and to help prevent homelessness. Previously administered by the Tennessee Department of Human Services, THDA began administering the State ESG Program on July 1, 2008. From 2008 through 2010, THDA awarded $4,477,843 to 95 ESG grantees.

APPENDIX F

THDA ACQUISITION COST AND INCOME LIMITS

Effective June 17, 2010

Counties		Acquisition Cost Limits	Household Income Limits 1-2 Persons	3 + Persons
Anderson	*	$200,160	$59,700	$68,655
Bedford		$200,160	$54,600	$62,790
Benton		$200,160	$54,600	$62,790
Bledsoe	T	$200,160	$54,600	$62,790
Blount		$200,160	$59,700	$68,655
Bradley	*	$200,160	$54,600	$62,790
Campbell	T	$200,160	$54,600	$62,790
Cannon	T	$226,100	$65,200	$74,980
Carroll	T	$200,160	$54,600	$62,790
Carter		$200,160	$54,600	$62,790
Cheatham		$226,100	$65,200	$74,980
Chester	T	$200,160	$54,600	$62,790
Claiborne	T	$200,160	$54,600	$62,790
Clay	T	$200,160	$54,600	$62,790
Cocke	T	$200,160	$54,600	$62,790
Coffee	*	$200,160	$54,600	$62,790
Crockett	T	$200,160	$54,600	$62,790
Cumberland		$200,160	$54,600	$62,790
Davidson	*	$226,100	$65,200	$74,980
Decatur		$200,160	$54,600	$62,790
DeKalb	T	$200,160	$54,600	$62,790
Dickson		$226,100	$65,200	$74,980
Dyer	T	$200,160	$54,600	$62,790
Fayette	T	$200,160	$58,100	$66,815
Fentress	T	$200,160	$54,600	$62,790
Franklin	T	$200,160	$54,600	$62,790
Gibson	T	$200,160	$54,600	$62,790
Giles	T	$200,160	$54,600	$62,790
Grainger	T	$200,160	$54,600	$62,790
Greene	T	$200,160	$54,600	$62,790
Grundy	T	$200,160	$54,600	$62,790
Hamblen	*	$200,160	$54,600	$62,790
Hamilton	*	$200,160	$56,100	$64,515
Hancock	T	$200,160	$54,600	$62,790
Hardeman	T	$200,160	$54,600	$62,790
Hardin	T	$200,160	$54,600	$62,790
Hawkins	T	$200,160	$54,600	$62,790
Haywood	T	$200,160	$54,600	$62,790
Henderson	T	$200,160	$54,600	$62,790
Henry		$200,160	$54,600	$62,790
Hickman	T	$226,100	$54,600	$62,790
Houston	T	$200,160	$54,600	$62,790
Humphreys		$200,160	$54,600	$62,790
Jackson	T	$200,160	$54,600	$62,790
Jefferson	T	$200,160	$54,600	$62,790
Johnson	T	$200,160	$54,600	$62,790
Knox	*	$200,160	$59,700	$68,655
Lake	T	$200,160	$54,600	$62,790
Lauderdale	T	$200,160	$54,600	$62,790
Lawrence	T	$200,160	$54,600	$62,790
Lewis		$200,160	$54,600	$62,790
Lincoln	T	$200,160	$54,600	$62,790
Loudon	T	$200,160	$59,700	$68,655
McMinn		$200,160	$54,600	$62,790
McNairy	T	$200,160	$54,600	$62,790
Macon	T	$226,100	$54,600	$62,790
Madison	T	$200,160	$54,600	$62,790
Marion	T	$200,160	$56,100	$64,515
Marshall		$200,160	$57,400	$66,010
Maury	T	$200,160	$61,600	$70,840
Meigs	T	$200,160	$54,600	$62,790
Monroe	T	$200,160	$54,600	$62,790
Montgomery		$200,160	$54,600	$62,790
Moore		$200,160	$54,600	$62,790
Morgan	T	$200,160	$54,600	$62,790
Obion	T	$200,160	$54,600	$62,790
Overton	T	$200,160	$54,600	$62,790
Perry		$200,160	$54,600	$62,790
Pickett	T	$200,160	$54,600	$62,790
Polk	T	$200,160	$54,600	$62,790
Putnam		$200,160	$54,600	$62,790
Rhea	T	$200,160	$54,600	$62,790
Roane		$200,160	$54,600	$62,790
Robertson		$226,100	$65,200	$74,980
Rutherford		$226,100	$65,200	$74,980
Scott	T	$200,160	$54,600	$62,790
Sequatchie	T	$200,160	$56,100	$64,515
Sevier		$200,160	$54,600	$62,790
Shelby		$200,160	$58,100	$66,815
Smith		$226,100	$54,600	$62,790
Stewart	T	$200,160	$54,600	$62,790
Sullivan		$200,160	$54,600	$62,790
Sumner		$226,100	$65,200	$74,980
Tipton	T	$200,160	$58,100	$66,815
Trousdale	T	$226,100	$65,200	$74,980
Unicoi	T	$200,160	$54,600	$62,790
Union	T	$200,160	$59,700	$68,655
Van Buren	T	$200,160	$54,600	$62,790
Warren		$200,160	$54,600	$62,790
Washington	*	$200,160	$54,600	$62,790
Wayne	T	$200,160	$54,600	$62,790
Weakley		$200,160	$54,600	$62,790
White	T	$200,160	$54,600	$62,790
Williamson		$226,100	$65,200	$74,980
Wilson		$226,100	$65,200	$74,980

T Denotes a targeted county. The first–time homebuyer requirement is waived.

* Denotes that some census tracts in the county are targeted, and in these census tracts, the first–time homebuyer requirement is waived.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

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

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

made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

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

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

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

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

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

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

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

HOMEOWNERSHIP PROGRAM PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. The most recent household income limit adjustments were effective March 27, 2009. THDA's income limits range from $54,500 to $74,635 depending on household size and geographic location. See Appendix F for more information about income limits. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. The most recent acquisition cost limits were effective as of June 1, 2006. THDA's maximum acquisition cost limitations vary from $200,160 to $226,100, depending on geographic location. See Appendix F for more information about acquisition cost limits.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of the Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the

Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas or in Presidentially declared federal disaster areas, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. In addition, for bonds issued prior to January 1, 2010, Presidentially declared federal disaster areas are treated as Targeted Areas and the requirement that a borrower cannot have a present ownership interest in their principal residence during the three-year period prior to the date of the Program Loan closing shall not apply. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

October 13, 2010

Tennessee Housing Development Agency
Parkway Towers, Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Homeownership Program Bonds

$25,000,000 Issue 2010-1A (Non-AMT)
$6,475,000 Issue 2010-1B (Non-AMT)
$89,225,000 Issue 2010-1C (AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $25,000,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2010-1A (Non-AMT) (the "Issue 2010-1A Bonds"), $6,475,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2010-1B (Non-AMT) (the "Issue 2010-1B Bonds"), and $89,225,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2010-1C (AMT) (the "Issue 2010-1C Bonds," and, together with the Issue 2010-1A Bonds and the Issue 2010-1B Bonds, the "Issue 2010-1 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2010-1 Bonds were authorized to be issued pursuant to the Act, the General Homeownership Program Bond Resolution of THDA, adopted June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 27, 2010, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on September 23, 2010 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2010-1 Bonds (collectively, the "Homeownership Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2010-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2010-1 Bonds are being issued to make funds available to refund certain outstanding obligations of THDA and to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2010-1 Bonds in order that interest on the Issue 2010-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2010-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2010-1 Bonds are valid and legally binding general obligations of THDA, for the payment of which, in accordance with their terms, the full faith and credit of THDA have been legally and validly pledged and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Homeownership Program Bonds, including the Issue 2010-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2010-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments and to cause its Chairman on or before November 1 of each year to make and deliver to the Governor and Commissioner of Finance and Administration of the State his certificate stating such sum, if any, as may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement provided for by the Resolution pursuant to the Act. The provisions of the Constitution of Tennessee prohibit moneys from being withdrawn from the Treasury except in consequence of an appropriation made by law. However, the General Assembly of the State may validly appropriate the amount of such sum as so certified and upon such appropriation, such amount may validly be paid to THDA for deposit in the Debt Service Reserve Fund established pursuant to the Resolution, although the provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts.

6. The Issue 2010-1 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, (i) interest on the Issue 2010-1 Bonds will be excluded from gross income for federal income tax purposes, (ii) interest on the Issue 2010-1A Bonds and the Issue 2010-1B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2010-1A Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, (iv) interest on the Issue 2010-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (v) interest on the Issue 2010-1C Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2010-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2010-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2010-1 Bonds may have to take interest on such Issue 2010-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2010-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2010-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2010-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES*

Delinquencies and Foreclosures as of March 31, 2010

As of March 31, 2010 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 2.05%, based on a total of 22,295 Program Loans as of March 31, 2010.

Delinquency rates by loan type for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending March 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	352	$26,424,605	2.38%	2.02%(4)
VA Guaranteed	14	905,132	1.64	1.34
Privately Insured	34	3,354,728	1.03	0.79(5)
USDA/RD Guaranteed	54	3,975,524	2.17	(6)
Uninsured	2	125,972	0.23	(6)
TOTAL	456	$34,785,961(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

*Delinquency and foreclosure information as of July 31, 2010, can be found in this Official Statement under **"HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data** – *Delinquencies and Foreclosures as of July 31, 2010"*.

As of March 31, 2010 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were ninety (90) days past due was 4.66%, based on a total of 22,295 Program Loans as of March 31, 2010.

Delinquency rates by loan type for THDA Program Loans that were ninety (90) days past due as of March 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending March 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% by Type of Program Loan	% by Loan Type
FHA Insured	851	$65,376,427	5.76%	4.97%[4]
VA Guaranteed	24	1,955,791	2.81	2.83
Privately Insured	66	6,639,127	1.99	2.30[5]
USDA/RD Guaranteed	90	6,840,703	3.62	(6)
Uninsured	7	584,269	0.81	(6)
TOTAL	1,038	$81,396,317[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of March 31, 2010 (unaudited), the overall rate of THDA Program Loans held under the General Resolution in foreclosure was 1.13%, based on a total of 22,295 Program Loans as of March 31, 2010.

The foreclosure rate by loan type for THDA Program Loans, in foreclosure as of March 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending March 31, 2010, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% by Type of Program Loan	% by Loan Type
FHA Insured	210	$17,432,455	1.42%	2.47%[4]
VA Guaranteed	11	845,074	1.29	1.82
Privately Insured	16	1,682,478	0.48	1.37[5]
USDA/RD Guaranteed	14	1,102,780	0.56	(6)
Uninsured	0	0	0.00	(6)
TOTAL	251	$21,062,787[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2009

As of December 31, 2009 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 3.21%, based on a total of 22,728 Program Loans as of December 31, 2009.

Delinquency rates by loan type for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2009, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2009

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	568	$41,189,858	3.77%	2.39%(4)
VA Guaranteed	21	1,584,044	2.41	1.69
Privately Insured	50	4,668,610	1.48	1.01(5)
USDA/RD Guaranteed	87	6,497,329	3.43	(6)
Uninsured	3	276,849	0.34	(6)
TOTAL	729	$54,216,690(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2009.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of December 31, 2009 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were ninety (90) days past due was 6.09%, based on a total of 22,728 Program Loans as of December 31, 2009.

Delinquency rates by loan type for THDA Program Loans that were ninety (90) days past due as of December 31, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2009, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2009

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	1,100	$84,002,718	7.30%	5.69%(4)
VA Guaranteed	46	3,461,686	5.28	3.25
Privately Insured	95	9,598,242	2.82	2.39(5)
USDA/RD Guaranteed	136	9,845,158	5.37	(6)
Uninsured	8	538,394	0.91	(6)
TOTAL	1,385	$107,446,198(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2009.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of December 31, 2009 (unaudited), the overall rate of THDA Program Loans held under the General Resolution in foreclosure was 0.65%, based on a total of 22,728 Program Loans as of December 31, 2009.

The foreclosure rate by loan type for THDA Program Loans, in foreclosure as of December 31, 2009 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending December 31, 2009, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2009

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	131	$10,096,526	0.87%	2.19%(4)
VA Guaranteed	2	243,431	0.23	1.70
Privately Insured	9	953,902	0.27	1.29(5)
USDA/RD Guaranteed	6	479,494	0.24	(6)
Uninsured	0	0	0.00	(6)
TOTAL	148	$11,773,353(2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ended December 31, 2009.

(4) FHA fixed rate mortgage loans.

(5) Prime fixed rate mortgage loans.

(6) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2009

As of September 30, 2009 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 3.04%, based on a total of 22,803 Program Loans as of September 30, 2009.

Delinquency rates by loan type for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending September 30, 2009, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2009

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	519	$38,504,221	3.45%	2.92%(4)
VA Guaranteed	25	1,913,399	2.79	1.76
Privately Insured	43	3,942,585	1.25	1.01(5)
USDA/RD Guaranteed	81	5,659,546	3.15	(6)
Uninsured	26	1,144,596	3.07	(6)
TOTAL	694	$51,164,348(2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending September 30, 2009.

(4) FHA fixed rate mortgage loans

(5) Prime fixed rate mortgage loans.

(6) MBA does not report data in these categories.

As of September 30, 2009 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were ninety (90) days past due was 6.06%, based on a total of 22,803 Program Loans as of September 30, 2009.

Delinquency rates by loan type for THDA Program Loans that were ninety (90) days past due as of September 30, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending September 30, 2009, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2009

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	1,108	$82,650,549	7.36%	5.26%[4]
VA Guaranteed	35	2,960,230	3.91	2.99
Privately Insured	89	9,272,956	2.59	2.01[5]
USDA/RD Guaranteed	143	10,793,592	5.56	[6]
Uninsured	7	537,471	0.83	[6]
TOTAL	1,382	$106,214,798[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2009.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2009 (unaudited), the overall rate of THDA Program Loans held under the General Resolution in foreclosure was 0.50%, based on a total of 22,803 Program Loans as of September 30, 2009.

The foreclosure rate by loan type for THDA Program Loans, in foreclosure as of September 30, 2009 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending September 30, 2009, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2009

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	81	$6,123,010	0.54%	2.06%[4]
VA Guaranteed	6	430,139	0.67	1.69
Privately Insured	13	1,120,440	0.38	1.24[5]
USDA/RD Guaranteed	14	965,308	0.54	[6]
Uninsured	0	0	0.00	[6]
TOTAL	114	$8,638,898[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2009.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2009

As of June 30, 2008 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 2.97%, based on a total of 22,656 Program Loans as of June 30, 2009.

Delinquency rates by loan type for THDA Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2009, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2009

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	518	$37,712,622	3.50%	2.47%[4]
VA Guaranteed	25	2,076,046	2.73	1.59
Privately Insured	40	3,626,978	1.14	0.90[5]
USDA/RD Guaranteed	86	6,075,798	3.32	(6)
Uninsured	3	240,634	0.35	(6)
TOTAL	672	$49,732,078[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2009.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of June 30, 2009 (unaudited), the overall delinquency rate for THDA Program Loans held under the General Resolution that were ninety (90) days past due was 5.47%, based on a total of 22,656 Program Loans as of June 30, 2009.

Delinquency rates by loan type for THDA Program Loans that were ninety (90) days past due as of June 30, 2009 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2009, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2009

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	996	$74,049,018	6.73%	4.66%[4]
VA Guaranteed	36	3,022,996	3.93	2.90
Privately Insured	77	7,546,307	2.20	1.52[5]
USDA/RD Guaranteed	124	9,441,341	4.78	(6)
Uninsured	6	397,185	0.70	(6)
TOTAL	1,239	$94,456,846[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2009.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(67) MBA does not report data in these categories.

As of June 30, 2009 (unaudited), the overall rate of THDA Program Loans held under the General Resolution in foreclosure was 0.58%, based on a total of 22,656 Program Loans as of June 30, 2009.

The foreclosure rate by loan type for THDA Program Loans, in foreclosure as of June 30, 2009 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2009, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2009

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	109	$8,537,732	0.74%	1.91%[4]
VA Guaranteed	6	557,933	0.66	1.55
Privately Insured	3	239,666	0.09	1.21[5]
USDA/RD Guaranteed	11	817,037	0.42	[6]
Uninsured	3	109,652	0.35	[6]
TOTAL	132	$10,262,020[2]		

---

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2009.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Tennessee Housing Development Agency

Leading Tennessee Home