

**NEW ISSUE**

This Official Statement has been prepared by the North Carolina Housing Finance Agency to provide information on the Series 59-B Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 59-B Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement.



**\$99,000,000**  
**North Carolina Housing Finance Agency**  
**Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)**  
**(1998 Trust Agreement)**

**Dated: Date of Delivery****CUSIP: 65821F LB0****Due: January 1, 2057****Tax Treatment**

In the opinion of Bond Counsel and subject to the qualifications described herein, interest on the Series 59-B Bonds (the “Series 59-B Bonds”) is excluded from gross income for federal tax purposes and is not treated as a preference item for purposes of calculating the alternative minimum tax, however, interest on the Series 59-B Bonds held by certain corporations is included in the corporation’s “adjusted financial statement of income” for purposes of computing the federal alternative minimum tax on such corporations. The Series 59-B Bonds are exempt from all income taxes of the State of North Carolina. See “TAX TREATMENT” herein for additional information including information regarding the tax treatment of the Series 59-B Bonds.

**Redemption**

The Series 59-B Bonds are subject to optional redemption, special redemption and mandatory redemption as described herein.

**Security**

The Series 59-B Bonds are payable from and secured by a pledge of all Program Obligations, Revenues and Prepayments and certain other assets, on parity with outstanding Bonds heretofore or hereafter issued under the Trust Agreement. *The Series 59-B Bonds do not constitute a debt, liability or obligation of the State of North Carolina or of any political subdivision thereof nor is the faith and credit or taxing power of the State of North Carolina or of any political subdivision thereof pledged to payment of the Series 59-B Bonds.*

**Tender for Purchase  
Series 59-B Bonds**

The Series 59-B Bonds are subject under certain circumstances to purchase on the demand of the Owners thereof and are subject to mandatory tender for purchase under certain circumstances as described herein.

**Liquidity Facility**

During a Daily Interest Rate Period or a Weekly Interest Rate Period, Series 59-B Bonds tendered but not remarketed by the Remarketing Agent will be purchased by Royal Bank of Canada (“RBC” or the “Bank”) pursuant to the Series 59-B Liquidity Facility. The Series 59-B Liquidity Facility will be a standby bond purchase agreement among the Agency and the Bank. See “THE SERIES 59-B LIQUIDITY FACILITY AND THE BANK.”

**Remarketing Agent**

RBC Capital Markets, LLC (“RBCCM”)

**Interest Payment Dates**

The Series 59-B Bonds will initially bear interest at the Daily Interest Rate. Interest on the Series 59-B Bonds shall be payable on July 1 and January 1 commencing July 1, 2026. Interest shall also be payable on the last day of any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, as applicable.

**Denominations**

The Series 59-B Bonds will be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

**Closing/Date of  
Delivery**

November 18, 2025.

**Bond Counsel**

Womble Bond Dickinson (US) LLP, Raleigh, North Carolina

**Underwriter’s Counsel**

Bode, PLLC, Raleigh, North Carolina

**Trustee and Paying  
Agent**

The Bank of New York Mellon Trust Company, National Association, Jacksonville, Florida

The Series 59-B Bonds are offered, when, as and if issued and received by the Underwriter, subject to prior sale and the opinion of Bond Counsel as to the validity, the tax treatment of interest on the Series 59-B Bonds and certain other matters.

**RBC Capital Markets**

*The date of this Official Statement is October 29, 2025.*

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

No dealer, broker, salesperson or other person has been authorized by the North Carolina Housing Finance Agency or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Series 59-B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been provided by the North Carolina Housing Finance Agency and other sources believed to be reliable. Quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly stated, are intended merely as estimates or opinions and not as representations of fact.

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 the North Carolina Housing Finance Agency since the dates as of which information is given herein.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 59-B BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

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

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**OFFICIAL STATEMENT  
OF  
NORTH CAROLINA HOUSING FINANCE AGENCY  
\$99,000,000 North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)**

**INTRODUCTION AND PURPOSE**

This Official Statement (including the cover page and appendices hereto) has been prepared and is being distributed by the North Carolina Housing Finance Agency (the “Agency”) in order to furnish information in connection with the sale of the Agency’s Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT) (the “Series 59-B Bonds”), being offered hereby in the aggregate principal amount of \$99,000,000, pursuant to the North Carolina Housing Finance Agency Act, being Chapter 122A of the General Statutes of North Carolina, as amended (the “Act”), the Trust Agreement, dated as of May 1, 1998, between the Agency and The Bank of New York Mellon Trust Company, National Association (hereinafter the “Trustee”), as amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2023 between the Agency and the Trustee (the “Trust Agreement”), and a Fifty-Ninth Supplemental Trust Agreement, dated as of November 1, 2025, between the Agency and the Trustee (the “Fifty-Ninth Supplemental Trust Agreement”), authorizing the issuance of the Series 59-B Bonds.

Separately, the Agency is issuing \$200,000,000 in aggregate principal amount of its Home Ownership Revenue Bonds, Series 59-A Bonds (Non-AMT) (the “Series 59-A Bonds”). The Series 59-A Bonds will be delivered at a closing on the same day as the Series 59-B Bonds. The term “Series 59 Bonds” herein means the Series 59-A Bonds and the Series 59-B Bonds.

Except for bonds issued under the Trust Agreement that by the terms thereof are subordinate to the other bonds issued under the Trust Agreement, all bonds issued under the Trust Agreement will be equally and ratably secured by the pledges and covenants contained therein. All such bonds that are equally and ratably secured, including the prior series of bonds issued in the respective aggregate principal amounts and on the respective dates as described in “THE PROGRAM – Experience to Date Under The Program” herein. Information descriptive of the Series 59-B Bonds which is included on the cover page and inside cover page hereof is part of this Official Statement.

The Series 59-A Bonds are being underwritten and will be offered to the public by a group of Underwriters set forth on the cover page of the Official Statement for the Series 59-A Bonds. The Series 59-B Bonds are being underwritten and will be offered to the public by RBC Capital Markets, LLC, as the sole Underwriter.

The Series 59-B Bonds are being issued as variable interest rate bonds and the interest rate on the Series 59-B Bonds may be a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate. This Official Statement describes the terms of the Series 59-B Bonds while bearing interest at a Daily Interest Rate or Weekly Interest Rate. In the event the Series 59-B Bonds begin to bear interest at a Long-Term Interest Rate, the Series 59-B Bonds will be subject to mandatory tender for purchase and will be remarketed to new investors. At that time, a new disclosure document will be prepared and provided to such investors and this Official Statement should not be relied upon while the Series 59-B Bonds bear interest at a Long-Term Interest Rate.

All capitalized terms used in this Official Statement which are defined in the Trust Agreement shall have the same meanings as are set forth therein (see Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FIFTY-NINTH SUPPLEMENTAL TRUST AGREEMENT – Definitions”). The summaries of and references to the Act, the Trust Agreement and the other statutes and documents referred to herein and the description of the Series 59-B Bonds which are included in or attached to this Official Statement do not purport to be comprehensive or definitive, and such summaries, references and

descriptions are qualified in their entirety by reference to each such document or statute, copies of which are available from the Agency upon request.

The Agency is a body politic and corporate constituting a public agency and instrumentality of the State of North Carolina (the “State”) which was created for the purpose of providing financing for residential housing for low and moderate income households. Pursuant to the Act, the Agency has established a housing program under the Trust Agreement (hereinafter referred to as the “Program”) under which the Agency is authorized to enter into agreements for the purchase of mortgage loans, mortgage-backed securities and other obligations made for the purpose of assisting in providing housing to low and moderate income households in the State. Under the Act the issuance of bonds or notes by the Agency and the interest rate or rates, sale price or prices and manner of sale thereof must be determined by the State Treasurer and approved by the Local Government Commission (the “Commission”) of the State.

The Trust Agreement authorizes the issuance of Bonds thereunder for the purpose of paying the costs of the Program and for refunding certain bonds of the Agency. Generally, Bonds issued to pay the costs of the Program are issued to finance the making or purchase by the Agency of “Program Loans” or “Program Securities.” Under the Trust Agreement, and as used herein, a “Program Loan” is an obligation made or purchased by the Agency in order to finance or otherwise provide housing principally on behalf of households of low and moderate income, and a “Program Security” is an obligation representing an interest in a pool of mortgage loans, which obligations are guaranteed or insured by a mortgage agency authorized by the Trust Agreement. As defined in the Trust Agreement and used herein, a “Program Obligation” is a Program Loan or a Program Security. Under the Trust Agreement and as used in this Official Statement, a “Series 59 Securitized Mortgage Loan” refers to a mortgage loan that is made to an eligible borrower to finance the purchase of a home, which mortgage loan is pooled into a Program Security that is purchased by the Agency with the proceeds of the Series 59-B Bonds. See “Definitions” and “Program Fund” in Appendix C hereto.

The Trust Agreement further provides that the Supplemental Trust Agreement authorizing the issuance of a Series of Bonds shall direct whether the proceeds of such Series will be used to purchase Program Loans or Program Securities and, if Program Securities are to be purchased, the requirements therefor, including any insurance or guarantee requirements for the Program Securities that may be purchased. In the Fifty-Ninth Supplemental Trust Agreement, the Agency has provided that the new Program Securities that may be purchased with the proceeds of the Series 59-B Bonds must be mortgage-backed securities issued by the Government National Mortgage Association (“Ginnie Mae”), Federal National Mortgage Association (“Fannie Mae”), or Federal Home Loan Mortgage Corporation (“Freddie Mac”), representing mortgage loans financing single family residential housing for households of low and moderate income in the State. In addition to the purchase of Program Securities with proceeds of the Series 59-B Bonds, new Program Loans will be purchased with proceeds of the Series 59-B Bonds that will be non-interest-bearing loans made to the borrowers of the related Series 55 Securitized Mortgage Loans to provide down payment assistance to such borrowers (“Series 59 DPA Loans”). Series 59 DPA Loans will be secured by a subordinate mortgage on the property purchased with the proceeds thereof, and the principal of such Program Loans will be forgiven if the borrower meets certain program requirements.

The proceeds of the Series 59-B Bonds will be used by the Agency, together with any other available funds, to (a) refund the Agency’s Home Ownership Revenue Bonds, Series 55-C, heretofore issued under the Trust Agreement by the Agency (the “Series 55-C Bonds”), (b) purchase Program Obligations from Lenders to finance single family residential housing for households of low and moderate income in North Carolina, (c) purchase Series 59 DPA Loans as described herein, and (d) pay a portion of the costs of issuance of the Series 59 Bonds. For a more detailed discussion of the manner in which the Agency intends to apply the proceeds of the Series 59-B Bonds, see “PLAN OF FINANCE” and “THE PROGRAM.”

The Series 59-B Bonds and the interest thereon are payable solely from the Revenues and other moneys and assets pledged therefor under the Trust Agreement. The Series 59-B Bonds are additionally secured by a Debt Service Reserve Fund, as more fully described below in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 59-B BONDS – Debt Service Reserve Fund.”

The Series 59-B Bonds do not constitute a debt, liability or obligation of the State or any political subdivision thereof, nor is the faith and credit or the taxing power of the State or any political subdivision thereof pledged to payment of the Series 59-B Bonds. The Agency has no taxing power.

## PLAN OF FINANCE

The Series 59-B Bonds will be issued as variable interest rate bonds in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 under a combined Plan of Finance with the Series 59-A Bonds which will be issued as fixed rate bonds. The Series 59-A Bonds will be delivered on the same day as the Series 59-B Bonds. The Series 59-A Bonds are being offered for sale separately from the Series 59-B Bonds. This Official Statement is not intended to apply to the Series 59-A Bonds.

The proceeds of the Series 59-A Bonds and the Series 59-B Bonds will be used for the redemption of the Series 55-C Bonds and for the purchase by the Agency of the Program Obligations to finance single family residential housing.

The Series 59-B Bonds will be issued as variable interest rate bonds, containing provisions permitting the owners thereof to tender their Series 59-B Bonds to the Trustee for purchase. In order to facilitate such duties of the Trustee, the Trustee, the Agency and RBC Capital Markets, LLC (“RBCCM”) as remarketing agent (the “Remarketing Agent”) will enter into a Tender Agreement dated as of November 1, 2025 (the “Tender Agreement”). Series 59-B Bonds so tendered will be subject to remarketing to new purchasers by the Remarketing Agent pursuant to a Remarketing Agreement dated as of November 1, 2025 (the “Remarketing Agreement”) between the Agency and the Remarketing Agent. While the Series 59-B Bonds bear interest at a Daily Interest Rate or Weekly Interest Rate, in order to provide a source of funds to purchase tendered Series 59-B Bonds in the event of an unsuccessful remarketing, the Agency will enter into a Standby Bond Purchase Agreement with Royal Bank of Canada (“RBC” or the “Bank”) dated as of November 18, 2025 (the “Series 59-B Liquidity Facility”), pursuant to which the Bank will purchase Series 59-B Bonds so tendered and not remarketed. Upon such purchase, the Agency will have certain repayment obligations to the Bank in accordance with the terms of the Series 59-B Liquidity Facility.

In connection with the issuance of the Series 59-B Bonds, the Agency will enter into an interest rate swap agreement (the “Swap Agreement”) with Wells Fargo Bank, N.A., (the “Series 59 Swap Provider”). Pursuant to the Swap Agreement, the Agency will receive payments, computed at a variable rate intended to approximate the variable interest rate on the Series 59-B Bonds, on a notional amount expected to correspond to the principal amount of the Series 59-B Bonds. The Agency will agree to pay to the Series 59 Swap Provider payments, computed at a fixed rate, on the same notional amount. Scheduled payments under the Swap Agreement will be paid on a parity with payments of interest on the Series 59-B Bonds. Payments made by the Series 59 Swap Provider to the Agency under the Swap Agreement are Revenues pledged under the Trust Agreement. The Swap Agreement will expire on January 1, 2057, but is subject to early termination, in whole or in part, at any time at the option of the Agency upon payment of a market based termination payment. The Swap Agreement is also subject to early termination at the option of the Agency without cost beginning on January 1, 2034, and semiannually thereafter on each January 1 or July 1 to July 1, 2056. The notional amount of the Swap Agreement is subject to mandatory semi-annual reductions beginning January 1, 2047 through July 1, 2056.

### Redemption of Series 55-C Bonds

The Agency will deposit \$200,000,000 of the proceeds of the Series 59 Bonds in the Optional Redemption Account under the Trust Agreement to be used to pay the principal of the Series 55-C Bonds on the redemption thereof.

The Agency has directed the Trustee to provide notice of redemption to the Owners of the Series 55-C Bonds at the times and in the manner provided by the Trust Agreement and the Fifty-Fifth Supplemental Trust Agreement. Such notice shall become irrevocable upon the issuance of the Series 59 Bonds. The Trustee is directed to apply the amount described in the Fifty-Ninth Supplemental Trust Agreement, together with such other funds as shall be directed by the Agency, to the redemption of the Series 55-C Bonds to be redeemed. The Trustee

is directed to transfer from the Interest Account an amount sufficient to pay the interest on the Series 55-C Bonds on such redemption.

Upon the redemption of the Series 55-C Bonds, the Trustee is directed to transfer \$200,000,000 from the Series 55-C Subaccount of the Series 55 Program Account created under the Fifty-Fifth Supplemental Trust Agreement to the Series 59 Program Account created pursuant to the Fifty-Ninth Supplemental Trust Agreement to purchase New Program Securities and Series 59 DPA Loans as described below. Any additional amounts in the Series 55 Program Account shall be transferred to the Revenue Fund.

### **Purchase of New Program Securities**

The Agency anticipates using approximately \$200.0 million of the proceeds of the Series 55-C Bonds transferred from the Series 55 Program Account to the Series 59 Program Account, proceeds of the Series 59 Bonds and transfers from other funds available under the Trust Agreement to fund the purchase by the Agency of Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates securitizing new mortgage loans for home ownership made to persons of low and moderate income in the State. Upon the purchase of such Certificates, the Certificates so purchased will be deposited to the Series 59 Program Account and will be Series 59 Program Securities for all purposes of the Trust Agreement as that term is used in this Official Statement.

Ginnie Mae, Fannie Mae and Freddie Mac may from time to time change their mortgage-backed securities programs and documents governing those programs. Alterations or amendments to Ginnie Mae, Fannie Mae or Freddie Mac mortgage-backed securities programs in such a way as to prevent Lenders from originating new mortgage loans to be securitized into Program Securities, reduce the volume of such new mortgage loans that can be originated and securitized, and/or prevent ServiSolutions from issuing or delivering new Program Securities to be purchased with proceeds of the Series 59-B Bonds as contemplated by the Plan of Finance could result in the early redemption of the Series 59-B Bonds before their maturity as described under “REDEMPTION OF THE SERIES 59-B BONDS — Special Redemption.” See APPENDIX E for discussions of the current Ginnie Mae, Fannie Mae and Freddie Mac certificate programs.

The Fifty-Ninth Supplemental Trust Agreement also provides that the Agency may use the proceeds of the Series 59 Bonds to purchase Program Loans meeting the requirements of the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement, but at present the Agency does not intend to utilize the proceeds of the Series 59 Bonds for such purpose, other than the Series 59 DPA Loans described below.

### **Purchase of Series 59 DPA Loans**

The Agency anticipates using approximately \$17.1 million of the proceeds of the Series 55-C Bonds transferred from the Series 55 Program Account to the Series 59 Program Account, proceeds of the Series 59 Bonds and transfers from other funds available under the Trust Agreement to purchase Series 59 DPA Loans. The program features associated with the Series 59 DPA Loans are being implemented in reliance upon the provisions of the Trust Agreement, which permits the Agency, in its discretion, to reduce the amounts collected under any Program Loan in order to comply with the requirements of the federal income tax laws applicable to the Series 59 Bonds.

Series 59 DPA Loans will be made to borrowers in connection with the making of a related Series 59 Securitized Mortgage Loan. Series 59 DPA Loans will be secured by the acquired real property by a mortgage that is subordinate to the related Series 59 Securitized Mortgage Loan and may be subordinate to other mortgages on the real property. Series 59 DPA Loans will be non-interest bearing loans and may be subject to automatic reductions in principal upon the occurrence of certain specified events, as appropriate to carry out the Agency’s programmatic objectives to be accomplished through the Series 59 DPA Loans. Series 59 DPA Loans are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program.

Initially, Series 59 DPA Loans will be expected to be made to each borrower in the amount of \$15,000. It is the intention of the Agency that no principal on the Series 59 DPA Loans will be due during the first fifteen years of such loan unless (1) the property purchased with such loan is sold during such period, (2) the Series 59 Securitized Mortgage Loan related to the Series 59 DPA Loan is refinanced, or (3) there is a default under the

Series 59 Securitized Mortgage Loan related to the Series 59 DPA Loan. If the events described in the preceding sentence do not occur as of the applicable date, 20% of the original principal of the Series 59 DPA Loans will be reduced on each of the eleventh, twelfth, thirteenth, fourteenth and fifteenth anniversaries of the origination of the Series 59 DPA Loan.

Until the principal of a Series 59 DPA Loan is completely forgiven, the Series 59 DPA Loan will be a “Program Loan” for purposes of the Trust Agreement and will be subject to the pledge of the Program Loans to secure payment of the Bonds issued under the Trust Agreement. Any payments on the Series 59 DPA Loans (which would consist only of payments received if the principal of the Series 59 DPA Loan becomes due during the first fifteen years because the acquired property is sold, the related Series 59 Securitized Mortgage Loan is refinanced or there is a default and foreclosure on the Series 59 Securitized Mortgage Loan) will constitute “Prepayments” and will be applied as provided below under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 59 BONDS.”

## **SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Series 59 Bonds, shall be applied approximately as follows:

### **Sources of Funds:**

Principal Amount of Series 59-A Bonds (sold separately) .....	\$200,000,000.00
Principal Amount of Series 59-B Bonds.....	99,000,000.00
Net Original Issue Premium of Series 59-A Bonds .....	12,598,438.80
Transfer from Series 55 Program Account	<u>200,000,000.00</u>
<b>Total Sources .....</b>	<b><u>\$511,598,438.80</u></b>

### **Uses of Funds:**

Optional Redemption Account .....	\$200,000,000.00
Series 59 Program Account.....	<u>311,598,438.80</u>
<b>Total Uses.....</b>	<b><u>\$511,598,438.80</u></b>

Note: The Agency will pay the costs of issuing the Series 59 Bonds from funds available to the Agency.

Of the amounts deposited in the Series 59 Program Account used to purchase Program Obligations, using proceeds from the Series 59 Bonds and additional funds related thereto deposited in the Series 59 Program Account, approximately \$132.8 million is expected to be used to acquire approximately \$132.1 million in principal amount of Ginnie Mae Certificates at a weighted average purchase price equal to approximately 100.6% of the principal amount thereof, and approximately \$161.6 million is expected to be used to acquire approximately \$161.4 million in principal amount of Fannie Mae Certificates and Freddie Mac Certificates at a weighted average purchase price equal to approximately 100.2% of the principal amount thereof, and approximately \$17.1 million is expected to be used to acquire approximately \$17.1 million in principal amount of Series 59 DPA Loans at a weighted average purchase price equal to approximately 100.0% of the principal amount thereof.

Upon the issuance of the Series 59 Bonds, certain of the proceeds of the Series 59 Bonds deposited to the Series 59 Program Account may be transferred to funds and accounts under the Trust Agreement designated to be used to pay at maturity or redeem Bonds previously issued under the Trust Agreement. Upon such transfer, a like amount of funds will be transferred from the recipient funds and accounts to the Series 59 Program Account to be used to purchase Program Securities and DPA Loans. For federal tax law purposes, such use of the proceeds of the Series 59 Bonds constitutes a current refunding by the Series 59 Bonds of the Bonds so paid at maturity or redeemed.

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 59-B BONDS**

### **Pledge Created Under the Trust Agreement**

The Series 59-B Bonds are special obligations of the Agency payable from the following moneys and assets of the Agency, which are pledged in the manner and to the extent provided under the Trust Agreement for the payment of the Bonds:

1. All Program Obligations, Revenues, Program Obligation Accrued Interest, Financing Fees and Prepayments (as such terms are defined in the Trust Agreement), and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement; and

2. All money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to the Trust Agreement, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Trust Agreement as security only for a specified Series of Bonds and a Special Debt Service Reserve Account (as defined in the Trust Agreement), and except money and securities held by or on behalf of the Trustee in the Revenue Reserve Refunding Account of the Revenue Reserve Fund and the TBA Loan Administration Fund as described below. For further information, see the subcaptions "Pledge" and "Application of Revenues and Other Moneys" in Appendix C.

### **Application of Revenues and Certain Other Funds**

Pursuant to the Trust Agreement, the Agency has created, among other things, the Revenue Fund and the Bond Service Fund, and within the Bond Service Fund an "Interest Account" and a "Principal Account." In addition, pursuant to the Trust Agreement, a special account in the Bond Service Fund has been or will be created for each Series of Bonds designated the "Principal/Special Redemption Account" for the Series. The Fifty-Ninth Supplemental Trust Agreement creates the "Series 59 Principal/Special Redemption Account" for the Series 59 Bonds.

The Agency will create in the Fifty-Ninth Supplemental Trust Agreement a special account of the Program Fund designated the "Series 59 Program Account." Upon the issuance of the Series 59-B Bonds, all proceeds of the Series 59-B Bonds and other funds to be used to finance the purchase of Program Obligations will be deposited to the Series 59 Program Account.

All payments of principal and interest on the Series 59 Program Obligations, other than Prepayments on Series 59 DPA Loans, which shall be applied as provided below, shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee. Upon receipt, the Trustee shall apply the amounts received as follows:

- (1) All amounts comprising the payment of interest on the Series 59 Program Obligations shall be deposited to the credit of the Revenue Fund.
- (2) All other amounts received shall be deposited to the credit of the Series 59 Principal/Special Redemption Account.

Amounts deposited to the Revenue Fund shall be applied as provided in the Trust Agreement and described in Appendix C under "Periodic Withdrawals from Revenue Fund." The first use of such amounts is to make the next interest payment on the Bonds issued under the Trust Agreement.

Amounts deposited to the Series 59 Principal/Special Redemption Account shall be applied as follows, in the following order of priority:

- (1) The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Series 59 Principal/Special Redemption Account and (ii) Prepayments on Series 59 DPA Loans deposited directly to the Principal Account to be used

to pay principal on the Series 59 Bonds is the amount sufficient to pay the principal of all Series 59 Bonds maturing within the next six months shall be transferred to the Principal Account.

- (2) The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Series 59 Principal/Special Redemption Account and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series 59 Bonds is the amount sufficient to meet the Sinking Fund Requirements of the Series 59 Bonds to be redeemed within the next six months shall be transferred to the Principal Account.
- (3) Following the transfers described in (1) and (2) above, the amount, if any, needed to increase the amount in the Series 59 Principal/Special Redemption Account so that the amount on deposit therein is sufficient to redeem Series 59-A Bonds maturing January 1, 2057 bearing interest at a rate of 6.250% (the “Series 59-A PAC Bonds”) up to the amounts set forth in the Fifty-Ninth Supplemental Trust Agreement up to the amounts set forth in the Supplemental Trust Agreement as set forth under “REDEMPTION OF SERIES 59 BONDS – Special Redemption” shall be used for that purpose.
- (4) At the direction of the Agency, to (a) redeem additional Series 59 Bonds; (b) redeem Bonds other than Series 59 Bonds, to the extent the Supplemental Trust Agreement authorizing the issuance of such Bonds allows for such Bonds to be redeemed from such amounts; or (c) to purchase additional Program Obligations that meet the requirements of the Fifty-Ninth Supplemental Trust Agreement.

## **Debt Service Reserve Fund**

The Trust Agreement creates a Debt Service Reserve Fund for the additional security of the Bonds issued thereunder. The Trust Agreement provides that each Supplemental Trust Agreement providing for the issuance of Bonds shall specify whether the Bonds authorized thereby will be entitled to the benefit of the Debt Service Reserve Fund and shall specify the portion of the Debt Service Reserve Requirement with respect to such Bonds. The Debt Service Reserve Requirement under the Trust Agreement is the sum of amounts established by each Supplemental Trust Agreement as the portion of the requirement with respect to the Bonds issued under that Supplemental Trust Agreement. The Trust Agreement does not provide a minimum requirement for the portion of the Debt Service Reserve Requirement in connection with a particular issue of Bonds. All Bonds secured by the Debt Service Reserve Fund will be secured equally and ratably by the Debt Service Reserve Fund, regardless of the amount of the Debt Service Reserve Requirement with respect to a particular Series of Bonds set forth in the Supplemental Trust Agreement authorizing the issuance thereof. As of June 30, 2025, there was on deposit in the Debt Service Reserve Fund \$19,000.

Prior to the issuance of the Series 37 Bonds, each Supplemental Trust Agreement had provided that the portion of the Debt Service Reserve Requirement related to the series of bonds authorized thereby be equal to two percent (2%) of the outstanding principal amount of such authorized bonds. **THE SUPPLEMENTAL TRUST AGREEMENT FOR EACH SERIES OF BONDS COMMENCING WITH THE SERIES 37 BONDS, INCLUDING THE FIFTY-NINTH SUPPLEMENTAL TRUST AGREEMENT, PROVIDES THAT SUCH BONDS ARE SECURED BY THE DEBT SERVICE RESERVE FUND AND SUCH SUPPLEMENTAL TRUST AGREEMENTS ALL FURTHER PROVIDE THAT THE DEBT SERVICE RESERVE FUND SHALL NOT BE INCREASED ON ACCOUNT OF EACH SUCH SERIES OF BONDS ISSUED COMMENCING WITH THE SERIES 37 BONDS.**

The Debt Service Reserve Fund consists of four accounts: the Proceeds Reserve Account, which is funded with the proceeds of Bonds, the Contribution Reserve Account, which is funded with the moneys attributable to appropriations by the State of North Carolina to the Agency, the Equity Reserve Account, which is funded from funds of the Agency other than funds appropriated to the Agency by the State, and the 1974 Appropriation Reserve Account, which is funded as provided below.

Under the Trust Agreement, moneys held in the Debt Service Reserve Fund may be used to pay when due principal of and interest on the Bonds if, at any time, the moneys otherwise available for such payment or retirement are insufficient for such purpose. Any deficiency in the Debt Service Reserve Fund may be made up

from Revenues in excess of Revenues necessary to pay debt service on the Bonds and any other moneys available to the Agency for such purpose. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement due to a decrease in the Debt Service Reserve Requirement shall either be retained in such Fund or, except for amounts in the Contribution Reserve Account, transferred to the Optional Redemption Account or a Special Redemption Account, as shall be determined in an Officer's Certificate.

The Trust Agreement also provides that all or any portion of the Debt Service Reserve Requirement may be met by cash, Investment Obligations or a Reserve Alternative Instrument (See Appendix C –“Definitions”).

The Trust Agreement also provides that any Supplemental Trust Agreement may provide for the creation thereunder of a Special Debt Service Reserve Account, which shall secure only the Bonds authorized by such Supplemental Trust Agreement.

The Agency has also created an additional account of the Debt Service Reserve Fund designated the “1974 Appropriation Reserve Account.” \$4,000,000 is on deposit in the 1974 Appropriation Reserve Account, which represents certain funds appropriated to the Agency by the North Carolina General Assembly in 1974. Pursuant to the terms of the Trust Agreement, the Agency may withdraw amounts in the 1974 Appropriation Reserve Account for application for a number of purposes of the Agency, including the provision for reserves for Bonds of the Agency other than Bonds issued under the Trust Agreement. However, while funds are on deposit in the 1974 Appropriation Reserve Fund, such amounts are available to make up deficiencies in the Bond Service Fund. See “1974 Appropriation Reserve Account” in Appendix C.

Neither the Act nor any other statute provides for any appropriations or payments by the North Carolina General Assembly to restore moneys withdrawn from the Debt Service Reserve Fund to pay principal of or interest on the Bonds. **The Fifty-Ninth Supplemental Trust Agreement provides that there shall not be any additional requirement for the cumulative Debt Service Reserve Fund Requirement on account of the Series 59-B Bonds.**

## **Revenue Reserve Fund and Accounts**

The Trust Agreement creates a special fund designated the “Revenue Reserve Fund,” and within the Revenue Reserve Fund special accounts designated the “Revenue Funded Account,” the “Revenue Reserve Equity Account,” and the “Revenue Reserve Refunding Account.”

To the extent that Revenues are not needed for debt service, to fund or make up a deficiency in the Debt Service Reserve Fund or for the other purposes provided for by the Trust Agreement, they are required to be deposited to the credit of the Revenue Funded Account of the Revenue Reserve Fund. As of June 30, 2025, there was on deposit in the Revenue Funded Account of the Revenue Reserve Fund \$57,778,000 in cash and investments derived from revenues (such amount does not include amounts on deposit in the Revenue Reserve Equity Account as described below).

Moneys held in the Revenue Funded Account of the Revenue Reserve Fund are pledged to secure the payment of the Bonds and may be used to pay when due the principal of and interest on the Bonds if at any time the moneys otherwise available for such payment or retirement, other than moneys held in the Debt Service Reserve Fund, are insufficient for such purpose. Any moneys so used can only be restored from Revenues in excess of Revenues necessary to pay debt service on the Bonds and not necessary to make up any deficiency in the Debt Service Reserve Fund.

Under certain circumstances, moneys in the Revenue Funded Account of the Revenue Reserve Fund may be (i) used to fund any required payments under an interest rate swap agreement, including termination payments, in the event that the Revenues are not sufficient for such purpose, (ii) used to make any payments required to be made to comply with applicable covenants made by the Agency regarding the exclusion of interest on the Bonds from federal income taxation, (iii) transferred, at the option of the Agency, to a Special Redemption Account, (iv) used to pay Operating Expenses of the Program, (v) transferred to the Optional Redemption Account or any Special Redemption Account created by a Supplemental Trust Agreement, (vi) used to pay costs of issuance of a new series of bonds or to purchase additional Program Obligations, (vii) used for any other purpose authorized by

the Trust Agreement or (viii) transferred to the Agency's General Fund. See the subcaptions "Application of Revenues and Other Moneys" and "Revenue Reserve Fund" in Appendix C.

In addition, the Trust Agreement provides that the Agency may from time to time deposit any money available to the Agency to any Fund or Account created under the Trust Agreement. Pursuant to this provision, the Agency has created a separate account of the Revenue Reserve Fund designated the "Revenue Reserve Equity Account." Amounts deposited to the Revenue Reserve Equity Account are derived from sources other than Revenues. Amounts in the Revenue Reserve Equity Account are subject to all provisions of the Trust Agreement regarding the Revenue Reserve Fund, including the application of moneys in the Revenue Reserve Fund (since amounts deposited to the Revenue Reserve Equity Account are not derived from Revenues, such amounts may not be used for a Special Redemption of Bonds from excess Revenues). As of June 30, 2025, \$43,312,000 was on deposit in cash and investments in the Revenue Reserve Equity Account.

In addition, the Agency has also deposited to the credit of the Revenue Refunding Account of the Revenue Reserve Fund additional funds and assets made available to the Agency from the refunding of Bonds of the Agency issued under other Resolutions or Trust Agreements, following the discharge of all obligations under such other Resolutions or Trust Agreements. Such funds and other assets are not pledged to secure payment of any Bonds issued under the Trust Agreement, the amounts received thereunder do not constitute Revenues under the Trust Agreement and the Owners of the Bonds do not have any rights in respect thereto. While in the Revenue Refunding Account of the Revenue Reserve Fund, however, such amounts may be used for any purpose described in this section (including transfer to the Agency's General Fund), other than for transfer to a Special Redemption Account for the redemption of Bonds from surplus Revenues in the Revenue Reserve Fund

### **Insurance Reserve Fund**

The Trust Agreement creates an Insurance Reserve Fund for the additional security of the Bonds issued thereunder. The Trust Agreement provides that each Supplemental Trust Agreement providing for the issuance of Bonds shall specify the Insurance Reserve Requirement with respect to such Bonds and the manner in which such requirement is to be funded. **The Fifty-Ninth Supplemental Trust Agreement provides that there shall not be any Insurance Reserve Requirement with respect to the Series 59 Program Obligations and losses with respect to any Series 59 Program Loans will not be funded from transfers from the Insurance Reserve Fund.**

As of June 30, 2025, there was on deposit in the Insurance Reserve Fund \$729,000.

### **Additional Bonds**

The Trust Agreement authorizes the issuance of additional Bonds by the Agency, under the circumstances set forth in the Trust Agreement. Such additional Bonds may be issued to finance additional costs of the Program, to refund outstanding bonds issued under the Trust Agreement or issued under other resolutions or indentures other than the Trust Agreement, or for other purposes set forth in the Trust Agreement. In order to issue additional Bonds under the Trust Agreement, the Agency must comply with the provisions of a Supplemental Trust Agreement executed in connection with the additional Bonds, which Supplemental Trust Agreement must be authorized by the Commission and must contain the terms and provisions of the additional Bonds. The additional Bonds must not materially and adversely affect the ability of the Agency to pay the principal of, Sinking Fund Requirements, and interest on the Bonds then outstanding. Such additional Bonds, together with the Bonds issued and outstanding under the Trust Agreement, including the Series 59 Bonds, would be equally and ratably secured by the moneys and assets which are pledged for the payment of all of the Bonds issued under the Trust Agreement and would be entitled to the equal benefit and protection of the provisions, covenants and agreements of the Trust Agreement.

## **Investments**

The Trust Agreement provides that funds held thereunder may be invested in investments permitted by the Trust Agreement. For a complete description of investments that are permitted, see the definition of “Investment Obligations” in Appendix C.

Funds held under the Trust Agreement are currently invested in other investments, principally consisting of Government Obligations, a commingled short-term Investment Fund maintained by the North Carolina State Treasurer, and the North Carolina Capital Management Trust (“NCCMT”).

Historically, the Agency utilized investment agreements and repurchase agreements for the investment of a significant amount of Program Funds, Revenues and Prepayments and Reserve Funds under the Trust Agreement. More recently, the Agency has opted to invest in these funds at attractive rates of return in the instruments described above. If market conditions warrant, the Agency may return to a broader use of investment and repurchase agreements permitted by the Trust Agreement.

### **TBA Loan Administration Fund**

In addition, the Agency has established within the Revenue Reserve Fund a special account called the “TBA Loan Administration Account” to which the Agency may deposit or withdraw from time to time cash or investments of cash in connection with the administration by the Agency of the single family homeownership program being carried out by the Agency utilizing mortgage-backed securities issued by Fannie Mae, Ginnie Mae and Freddie Mac and sold in the secondary market. Cash or other assets held in the TBA Loan Administration Account are not pledged to secure payment of any Bonds issued under the Trust Agreement and the amounts received thereunder do not constitute Revenues under the Trust Agreement, and such cash and other assets do not provide security for the Bonds and the Owners of the Bonds shall have no rights in respect thereto.

## **DESCRIPTION OF THE SERIES 59-B BONDS**

### **General**

The Series 59-B Bonds will be dated November 18, 2025. The Series 59-B Bonds will be issuable only in book-entry form as fully registered bonds and will be subject to the provisions of the book-entry-only system as described in Appendix D — “BOOK-ENTRY-ONLY SYSTEM.”

The Series 59-B Bonds are being issued as variable interest rate bonds and the interest rate on the Series 59-B Bonds may be a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate. The description of the Series 59-B Bonds in this Section describes the terms of the Series 59-B Bonds while bearing interest at a Daily Interest Rate or Weekly Interest Rate. In the event the Series 59-B Bonds begin to bear interest at a Long-Term Interest Rate, the Series 59-B Bonds will be subject to mandatory tender for purchase and will be remarketed to new investors. At that time, a new disclosure document will be prepared and provided to such investors and the description below should not be relied upon while the Series 59-B Bonds bear interest at a Long-Term Interest Rate.

### **The Series 59-B Bonds**

The Series 59-B Bonds are initially issuable as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Series 59-B Bonds initially delivered will be dated as of the date of their authentication and delivery, will mature on January 1, 2057 and will bear interest from the date of delivery. The Series 59-B Bonds subsequently issued in exchange for, or upon the registration or transfer of Series 59-B Bonds will be dated the date of authentication thereof, will mature on the same date or dates and will bear interest from the interest payment date next preceding the date of the authentication thereof, unless the date of such authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which case they will bear interest from such Interest Payment Date; provided, however, that if interest on the Series 59-B Bonds is in default, the Series 59-B Bonds issued in place of Series 59-B Bonds surrendered for transfer or exchange will bear interest from the date to which interest has been paid in full on the Series 59-B

Bonds, or made available for payment in full on Series 59-B Bonds. The Record Date for Series 59-B Bonds will be the last business day preceding each Interest Payment Date.

The Series 59-B Bonds will initially bear interest as described herein for the period from the date of delivery at a Daily Interest Rate (the “Daily Interest Rate”). Except as otherwise provided herein, so long as the Series 59-B Bonds are in a Daily Interest Rate, the owners of any Series 59-B Bonds are entitled to demand purchase of such Series 59-B Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase (the “Purchase Price”), upon satisfaction of the terms and conditions described herein. The Series 59-B Bonds are also subject to mandatory tender for purchase under certain circumstances.

The Agency will provide the Series 59-B Liquidity Facility to be in effect at all times the Series 59-B Bonds are Outstanding and bear interest at the Daily Interest Rate or Weekly Interest Rate. Initially, the Series 59-B Liquidity Facility will be a Standby Bond Purchase Agreement between the Agency and the Bank. The Series 59-B Liquidity Facility will be executed as of the date of delivery of the Series 59-B Bonds and will provide for the purchase by the Bank, on the terms and conditions specified therein of tendered Series 59-B Bonds which have not been remarketed. If the Series 59-B Liquidity Facility is replaced according to its terms, the Series 59-B Bonds will be subject to mandatory tender, except as provided herein.

Interest on the Series 59-B Bonds shall be payable on each July 1 and January 1, commencing July 1, 2026, or the next Business Day if July 1 or January 1 is not a Business Day, for the preceding semiannual period beginning on January 1 and ending on June 30, or beginning on July 1 and ending on December 31, as the case may be. Interest payable on July 1, 2026 will be payable from November 18, 2025. Interest shall also be payable on the day next succeeding the last day of any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, as applicable. In any event, interest on the Series 59-B Bonds shall be payable for the final Interest Rate Period to the date on which the Series 59-B Bonds shall have been paid in full. Interest on the Series 59-B Bonds bearing interest at the Daily Interest Rate or the Weekly Interest Rate shall be computed on the basis of a 365/366-day year for actual days elapsed.

The term of the Series 59-B Bonds shall be divided into separate Interest Rate Periods during each of which the Series 59-B Bonds shall bear interest at a Daily Interest Rate, Weekly Interest Rate or a Long-Term Interest Rate (except for Bank Bonds which shall bear interest at the Bank Bond Interest Rate). The first Interest Rate Period for the Series 59-B Bonds shall commence on the date of issuance of the Series 59-B Bonds and shall be a Daily Interest Rate Period. On or prior to such date of issuance, the initial Daily Interest Rate borne by the Series 59-B Bonds shall be determined in the manner provided in the Fifty-Ninth Supplemental Trust Agreement by RBC Capital Markets, LLC, as underwriter of the Series 59-B Bonds.

During each Daily Interest Rate Period, the Series 59-B Bonds shall bear interest at a Daily Interest Rate, which shall be determined by the Remarketing Agent by 10:00 a.m., New York City time, on each Business Day. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable to the Series 59-B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 59-B Bonds, would enable the Remarketing Agent to sell the Series 59-B Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for the Series 59-B Bonds for any day during a Daily Interest Rate Period, then the Daily Interest Rate for the Series 59-B Bonds for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for the Series 59-B Bonds for such preceding Business Day was determined by the Remarketing Agent. In the event that a Daily Interest Rate for the Series 59-B Bonds for the immediately preceding Business Day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate for the Series 59-B Bonds determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for the Series 59-B Bonds for such day shall be a rate per annum equal to the SIFMA Swap Index Rate on the day the Daily Interest Rate would otherwise be determined as provided herein. The Remarketing Agent shall furnish to the Agency and the Trustee on the date of determination the Daily Interest Rate for the Series 59-B Bonds so determined by telex, telephone or telecopy, promptly confirmed in writing or shall make the Daily Interest Rate available to the Agency and the Trustee by readily accessible electronic means.

At any time that the Series 59-B Bonds are bearing interest at the Weekly Interest Rate, by written direction to the Trustee, the Bank and the Remarketing Agent, the Agency may elect, that the Series 59-B Bonds shall bear interest at a Daily Interest Rate. Such direction of the Agency shall specify the effective date of such adjustment to a Daily Interest Rate for the Series 59-B Bonds, which shall be a Business Day not earlier than the twelfth day following the second Business Day after receipt by the Trustee of such direction. In addition, the direction of the Agency shall be accompanied by a Favorable Opinion of Bond Counsel. During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 59-B Bonds shall be a Daily Interest Rate.

In the event that the Agency determines to adjust the interest rate on the Series 59-B Bonds to a Daily Interest Rate, the Trustee shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the Owners of the Series 59-B Bonds not less than twelve (12) days prior to the effective date of such Daily Interest Rate Period. Such notice shall state (A) that the interest rate on such the Series 59-B Bonds will be adjusted to a Daily Interest Rate unless Bond Counsel shall have failed to deliver to the Agency, the Trustee, the Bank and the Remarketing Agent a Favorable Opinion of Bond Counsel as to such adjustment on and as of the effective date of such adjustment in the Interest Rate Period and (B) that the Series 59-B Bonds are subject to mandatory tender for purchase on such effective date and shall set forth the applicable purchase price.

At any time that the Series 59-B Bonds are bearing interest at an adjustable rate that is not fixed to maturity, by written direction to the Trustee, the Bank and the Remarketing Agent, the Agency may elect, subject to the Fifty-Ninth Supplemental Trust Agreement, that the Series 59-B Bonds shall bear interest at a Weekly Interest Rate. Such direction of the Agency shall specify the effective date of such adjustment to a Weekly Interest Rate for the Series 59-B Bonds, which shall be a Business Day not earlier than the twelfth day following the second Business Day after receipt by the Trustee of such direction. In addition, the direction of the Agency shall be accompanied by a Favorable Opinion of Bond Counsel. During each Weekly Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 59-B Bonds shall be a Weekly Interest Rate.

In the event that the Agency determines to adjust the interest rate on the Series 59-B Bonds to a Weekly Interest Rate, the Trustee shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the Owners of the Series 59-B Bonds not less than twelve (12) days prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (A) that the interest rate on the Series 59-B Bonds will be adjusted to a Weekly Interest Rate unless Bond Counsel shall have failed to deliver to the Agency, the Trustee, the Bank and the Remarketing Agent a Favorable Opinion of Bond Counsel as to such adjustment on and as of the effective date of such adjustment in the Interest Rate Period and (B) that the Series 59-B Bonds are subject to mandatory tender for purchase on such effective date and shall set forth the applicable purchase price.

During each Weekly Interest Rate Period for the Series 59-B Bonds, the Series 59-B Bonds shall bear interest at a Weekly Interest Rate, which shall be determined by the Remarketing Agent on Wednesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period shall end on a day other than Thursday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the Series 59-B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 59-B Bonds, would enable the Remarketing Agent to sell all of the Series 59-B Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for the Series 59-B Bonds for any week during a Weekly Interest Rate Period, then the Weekly Interest Rate for the Series 59-B Bonds for such week shall be the

same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for the Series 59-B Bonds for such preceding week was determined by the Remarketing Agent. In the event that a Weekly Interest Rate for the Series 59-B Bonds for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for the Series 59-B Bonds for such week shall be the SIFMA Swap Index Rate on the day the Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period. The Remarketing Agent shall furnish to the Agency and the Trustee on the date of determination the Weekly Interest Rate for the Series 59-B Bonds so determined by telephone or e-mail, promptly confirmed in writing or shall make the Weekly Interest Rate available to the Agency and the Trustee by readily accessible electronic means.

The determination of the Daily Interest Rate or Weekly Interest Rate by the Remarketing Agent for the Series 59-B Bonds shall be conclusive and binding upon the Agency and the Remarketing Agent, the Trustee, the Bank and the Owners of the Series 59-B Bonds.

At all times the Interest Rate Period for all of the Series 59-B Bonds shall be the same Interest Rate Period.

Interest on the Series 59-B Bonds shall be payable on each Interest Payment Date for the Series 59-B Bonds to the Owners of the Series 59-B Bonds at the close of business on the Record Date in respect of such Interest Payment Date. For so long as the Securities Depository Nominee is the owner of Series 59-B Bonds, procedures with respect to the payment of principal and interest on the Series 59-B Bonds shall be in accordance with arrangements among the Trustee and the Securities Depository as provided by the Fifty-Ninth Supplemental Trust Agreement.

On the Business Day preceding each Interest Payment Date for the Series 59-B Bonds during a Daily Rate Period or Weekly Rate Period, the Trustee shall calculate the amount of interest that shall be due and payable with respect to such Bonds on such Interest Payment Date and shall notify the Agency as to the amount to be delivered to the Trustee for payment of such interest on such Interest Payment Date.

Notwithstanding any deposit of moneys or Defeasance Obligations with the Trustee to be held in trust for the payment of all principal and interest on the Series 59-B Bonds, the Series 59-B Bonds shall nevertheless be "Outstanding" (not "defeased") prior to the final payment of the Series 59-B Bonds.

## **Tender Provisions**

THE TRUST AGREEMENT PROVIDES THAT SO LONG AS CEDE & CO. IS THE SOLE REGISTERED OWNER OF THE SERIES 59-B BONDS, ALL TENDERS FOR PURCHASE AND DELIVERIES OF SERIES 59-B BONDS TENDERED FOR PURCHASE OR SUBJECT TO MANDATORY TENDER UNDER THE PROVISIONS OF THE TRUST AGREEMENT SHALL BE MADE PURSUANT TO DTC'S PROCEDURES AS IN EFFECT FROM TIME TO TIME, AND NEITHER THE AGENCY, THE TRUSTEE NOR THE REMARKETING AGENT SHALL HAVE ANY RESPONSIBILITY FOR OR LIABILITY WITH RESPECT TO THE IMPLEMENTATION OF SUCH PROCEDURES.

During any Daily Interest Rate Period for the Series 59-B Bonds, any Series 59-B Bonds (other than Bank Bonds) shall be purchased in whole (or in part if both the amount purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Owner thereof at the option of such Owner on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Payment Date for the Series 59-B Bonds immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery by such Owner to the Trustee and the Remarketing Agent at their respective designated offices of an irrevocable written notice which states the principal amount of the Series 59-B Bond and the date on which the Series 59-B Bond is to be purchased. Any notice delivered to the Trustee or the Remarketing Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

During any Weekly Interest Rate Period for any the Series 59-B Bonds, any Series 59-B Bonds (other than Bank Bonds) shall be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased shall consist of Authorized Denominations) from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Payment Date for the Series 59-B Bond immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Trustee and the Remarketing Agent at their respective Principal Offices of an irrevocable written notice which states the principal amount of the Series 59-B Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee and Remarketing Agent. Any notice delivered to the Trustee or the Remarketing Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

The giving of notice by an Owner of any Series 59-B Bond as provided above shall constitute the irrevocable tender for purchase of the Series 59-B Bond with respect to which such notice shall have been given, regardless of whether the Series 59-B Bond is delivered to the Trustee for purchase on the relevant purchase date as provided in the notice. The Trustee may refuse to accept delivery of the Series 59-B Bond for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Bond as herein described.

The Series 59-B Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period for such Series 59-B Bonds, or on the day which would have been the first day of an Interest Rate Period for such Series 59-B Bonds at a purchase price, payable in immediately available funds, equal to the principal amount of the Series 59-B Bonds.

At the option of the Agency, the Series 59-B Bonds are subject to mandatory tender for purchase during any Long-Term Interest Rate Period, on any date occurring during the period in which such Series 59-B Bonds could be redeemed pursuant to the Fifty-Ninth Supplemental Trust Agreement, as designated by the Agency, at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase.

If the Series 59-B Bonds are bearing interest at the Daily Interest Rate and the interest rate will be changed to the Weekly Interest Rate or Long-Term Interest Rate, or if the Series 59-B Bonds are bearing interest at the Weekly Interest Rate and the interest rate will be changed to the Daily Interest Rate or Long-Term Interest Rate, the Series 59-B Bonds shall be subject to mandatory tender for purchase on the date of such change at a purchase price, payable in immediately available funds, equal to the principal amount of the Series 59-B Bonds.

Except as provided below, if at any time the Trustee shall give notice in accordance with the Fifty-Ninth Supplemental Trust Agreement that the Series 59-B Bonds shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect for the Series 59-B Bonds (other than because of an Immediate Liquidity Termination), the Series 59-B Bonds shall be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase:

(i) on the day prior to the day (or if such date is not a Business Day, the preceding Business Day) on which the Liquidity Facility is to be cancelled by the Agency in connection with its replacement by a Substitute Liquidity Facility; or

(ii) on the day prior to the day (or if such date is not a Business Day, the preceding Business Day) on which the Liquidity Facility is to be terminated by the Bank upon the occurrence of an event of default under the Liquidity Facility, written notice of which has been delivered by the Bank to the Agency, the Trustee and the Remarketing Agent, or expiration of the Liquidity Facility, except in the case of an Immediate Liquidity Termination.

The Series 59-B Bonds shall not be subject to mandatory tender as a result of the occurrence of an Immediate Liquidity Termination. If the Trustee shall receive notice of the occurrence of an Immediate Liquidity

Termination, within one Business Day following its receipt of such notice, it shall notify the Owners of the Series 59-B Bonds that an Immediate Liquidity Termination has occurred.

In addition, if at any time the Series 59-B Liquidity Facility is amended:

(i) (A) to modify the provisions thereof regarding the events resulting in an Immediate Liquidity Termination or to add additional events that result in an Immediate Liquidity Termination, or

(B) to modify the provisions thereof regarding the events resulting in the immediate suspension of the Bank's obligation thereunder to purchase Series 59-B Bonds or to add additional events that result in such an immediate suspension, or

(C) to modify or add to the provisions thereof regarding any condition precedent to the purchase of Series 59-B Bonds by the Bank pursuant to the Series 59-B Liquidity Facility, or

(ii) to modify the provisions of the Series 59-B Liquidity Facility to include additional circumstances that permit the termination of the Series 59-B Liquidity Facility with less than 30 days' notice to the Trustee,

the Series 59-B Bonds shall be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase. In the Fifty-Ninth Supplemental Trust Agreement, the Agency has covenanted that it will not enter into any amendment of the Series 59-B Liquidity Facility that would become effective prior to the date of such mandatory tender of the Series 59-B Bonds.

In connection with any mandatory tender for purchase of the Series 59-B Bonds in accordance herewith, the Trustee shall give notice of a mandatory tender for purchase not less than five Business Days before the expected mandatory tender date. Each notice shall be given by first-class mail to each Owner of the Series 59-B Bonds addressed to each such Owner at his registered address. Such notice shall state (A) that the Series 59-B Bonds are subject to mandatory tender for purchase and the date the Bonds are to be delivered for purchase; (B) that the purchase price of any Bond so subject to mandatory purchase shall be payable only upon surrender of such Bond to the Trustee at its designated office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or his duly-authorized attorney, with such signature guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program; (C) that all Series 59-B Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if the Owner of a Bond shall not surrender such Bond to the Trustee for purchase on such mandatory purchase date, then such Bond shall be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Owner thereof shall have no rights under the Trust Agreement or the Fifty-Ninth Supplemental Trust Agreement other than to receive payment of the purchase price thereof. Any notice to the Owners of such Bonds mailed as provided herein shall be conclusively presumed to have been given, whether or not the Owners receive such notice.

For payment of the purchase price of the Series 59-B Bond required to be purchased in accordance with the optional or mandatory tender provisions described above, such Series 59-B Bond must be delivered at or prior to 12:00 noon, New York City time, on the date specified in the notice relating to such purchase, to the Trustee at its designated office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or his duly authorized attorney, with such signature guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program. In the event any such Series 59-B Bond is delivered after 12:00 noon on such specified date, payment of the purchase price need not be made until the Business Day following the date of delivery of such Series 59-B Bond, but such Series 59-B Bond will nonetheless be deemed to have been purchased on the date specified in such notice, and no interest will accrue thereon after such date.

The giving of notice by an Owner of any Series 59-B Bond as provided in the Fifty-Ninth Supplemental Trust Agreement shall constitute the irrevocable tender for purchase of such Series 59-B Bond with respect to which such notice shall have been given, regardless of whether such Series 59-B Bond is delivered to the Trustee

for purchase on the relevant purchase date. The Trustee may refuse to accept delivery of a Series 59-B Bond for which a proper instrument of tender has not been provided. Such refusal shall not affect the validity of the purchase of such Series 59-B Bond.

The Trustee, on each day on which Series 59-B Bonds are required to be purchased pursuant to the Fifty-Ninth Supplemental Trust Agreement, is directed to make a request for payment by the Bank under the Liquidity Facility by such times and in such manner as shall be required in order for it to receive immediately available funds on such date to pay the purchase price plus accrued interest, if any, of Series 59-B Bonds then payable from the Liquidity Facility tendered for purchase or required to be purchased. The Liquidity Facility for the Series 59-B Bonds provides only for payment of the purchase price with respect to the Series 59-B Bonds, and no other Bonds shall have any rights under such Liquidity Facility.

Notices in respect of tenders for purchase at the election of Owners during a Daily Interest Rate Period or a Weekly Interest Rate Period and Series 59-B Bonds subject to mandatory purchase as described above must be delivered to the Trustee. The initial address of the Trustee to which such notices and Series 59-B Bonds should be delivered is The Bank of New York Mellon Trust Company, N.A., 4655 Salisbury Road, Suite 300, Jacksonville, Florida 32256 Attention: Corporate Trust Administration.

If any Owner of a Series 59-B Bond who shall have given notice of tender of purchase pursuant to the Fifty-Ninth Supplemental Trust Agreement shall fail to deliver such Series 59-B Bond to the Trustee at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 59-B Bond properly endorsed to the Trustee at the place and by the applicable date and time specified, such Series 59-B Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the Owner thereof on the date and at the time specified, from and after the date and time of that required delivery, (A) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Trust Agreement or the Fifty-Ninth Supplemental Trust Agreement; (B) interest shall no longer accrue thereon; and (C) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Trustee for the benefit of the Owner thereof (provided that the Owner shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Trustee at its designated office for delivery of Series 59-B Bonds. Any funds held by the Trustee as described above shall be held uninvested and not commingled.

If payment of the purchase price of any Series 59-B Bond shall not be made to any Owner thereof on any purchase date (a “Failed Purchase Date”), such Series 59-B Bond shall be returned by the Trustee to the Owner thereof. Thereafter, commencing on the Failed Purchase Date and ending on the date that the Agency in its discretion purchases or causes the purchase of all Series 59-B Bonds, the Series 59-B Bonds shall bear interest at a variable rate per annum equal to the SIFMA Swap Index +4%. In the event that the Agency purchases or causes the purchase of the Series 59-B Bonds and a Liquidity Facility is in effect, the Series 59-B Bonds shall thereafter bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate as determined by the Agency.

If for any reason a Liquidity Facility required to be in effect for the Series 59-B Bonds under the Fifty-Ninth Supplemental Trust Agreement is not in effect, then until a Liquidity Facility meeting the requirements of the Fifty-Ninth Supplemental Trust Agreement is in effect, the Series 59-B Bonds shall not be subject to optional or mandatory purchase as described above. During any such period, the Series 59-B Bonds shall bear interest at a variable rate per annum equal to the SIFMA Swap Index plus 4%.

**Notwithstanding the foregoing, so long as a Securities Depository Nominee is the sole registered owner of the Series 59-B Bonds, all tenders for purchase and deliveries of Series 59-B Bonds tendered for purchase or subject to mandatory tender under the provisions of the Fifty-Ninth Supplemental Trust Agreement shall be made pursuant to the Securities Depository's procedures as in effect from time to time, and neither the Agency, the Trustee nor the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of such procedures.**

## **Remarketing Agent and Trustee**

RBC Capital Markets, LLC is appointed as the Remarketing Agent for the Series 59-B Bonds. The Agency shall appoint any successor Remarketing Agent for the Series 59-B Bonds, subject to the conditions set forth herein.

## **Special Considerations Relating to The Series 59-B Bonds Bearing Interest At A Daily or Weekly Rate**

The Remarketing Agent Is Paid by the Agency. The Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to remarket Series 59-B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 59-B Bonds.

The Remarketing Agent May Purchase Series 59-B Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 59-B Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series 59-B Bonds in order to achieve a successful remarketing of the Series 59-B Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Series 59-B Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 59-B Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 59-B Bonds by routinely purchasing and selling Series 59-B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 59-B Bonds. The Remarketing Agent may also sell any Series 59-B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 59-B Bonds. The purchase of Series 59-B Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 59-B Bonds in the market than is actually the case. The practices described above also may result in fewer Series 59-B Bonds being tendered in a remarketing.

Series 59-B Bonds May Be Offered at Different Prices on Any Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 59-B Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate on the Series 59-B Bonds will be determined. The interest rate will reflect, among other factors, the level of market demand for the Series 59-B Bonds (including whether the Remarketing Agent is willing to purchase Series 59-B Bonds for its own account). There may or may not be Series 59-B Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 59-B Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 59-B Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 59-B Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 59-B Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 59-B Bonds on any date, including a date that the variable interest rate on the Series 59-B Bonds will be determined, at a discount to par to some investors.

The Ability to Sell the Series 59-B Bonds Other Than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Series 59-B Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 59-B Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 59-B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 59-B Bonds other than by tendering the Series 59-B Bonds in accordance with the tender process.

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

The Trustee agrees:

To hold all Series 59-B Bonds delivered to it as agent and bailee of, and in escrow for the benefit of, the respective Owners of the Series 59-B Bonds which shall have so delivered the Series 59-B Bonds until moneys representing the purchase price of the Series 59-B Bonds shall have been delivered to or for the account of or to the order of such Owners of the Series 59-B Bonds;

To establish and maintain a separate segregated trust fund designated as "North Carolina Housing Finance Agency Home Ownership Revenue Bonds (1998 Trust Agreement) Series 59-B Bond Purchase Fund" (the "Series 59-B Bond Purchase Fund"), within which there shall be established separate accounts to carry out the functions of the Series 59-B Bond Purchase Fund, until such time as the Trustee has been discharged from its duties as Trustee for the Series 59-B Bonds hereunder;

To hold all moneys (without investment thereof) delivered to it hereunder in the Series 59-B Bond Purchase Fund for the purchase of Series 59-B Bonds, as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Series 59-B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

To hold all moneys delivered to it by the Agency for the purchase of the Series 59-B Bonds, as agent and bailee of, and in escrow for the benefit of, the Owners or former Owners thereof who shall deliver the Series 59-B Bonds to it for purchase until the Series 59-B Bonds purchased with such moneys shall have been delivered to or for the account of the Agency;

To deliver Series 59-B Bonds registered in the name of the new Owners thereof to the Remarketing Agent in accordance with the Tender Agreement;

To hold Series 59-B Bonds for the account of the Agency as contemplated by the Fifty-Ninth Supplemental Trust Agreement; and

To keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Agency, the Bank and the Remarketing Agent at all reasonable times.

The Agency shall cause the necessary arrangements to be made and to be thereafter continued to enable the Trustee to perform its duties and obligations described above.

## **THE SERIES 59-B LIQUIDITY FACILITY AND THE BANK**

The information contained in this section applies when the Series 59-B Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate.

### **General**

As described under "DESCRIPTION OF THE SERIES 59-B BONDS" herein, under certain circumstances, the Owners of the Series 59-B Bonds may elect or be required to tender their Series 59-B Bonds for purchase. The Agency has arranged for the delivery of the Series 59-B Liquidity Facility by the Bank upon the issuance of the Series 59-B Bonds to ensure timely payment of the purchase price of the Series 59-B Bonds so tendered for purchase. Pursuant to the Series 59-B Liquidity Facility, the Bank agrees, subject to the terms and conditions stated therein, to purchase Series 59-B Bonds (excluding any Series 59-B Bonds registered in the name of, or beneficially owned by, the Agency) tendered or deemed tendered for purchase from time to time on the purchase date and at the purchase price specified in the Fifty-Ninth Supplemental Trust Agreement in the event remarketing proceeds are not available therefore.

The Agency is required by the Fifty-Ninth Supplemental Trust Agreement to maintain in effect a liquidity facility for the Series 59-B Bonds that produces the highest short-term rating on the Series 59-B Bonds available from Moody's Investors Service, Inc. and S&P Global Ratings. In accordance with its terms, the liquidity facility for the Series 59-B Bonds may be terminated pursuant to the Fifty-Ninth Supplemental Trust Agreement. The Series 59-B Liquidity Facility and any Substitute Series 59-B Liquidity Facility for the Series 59-B Bonds shall be an obligation of the Bank to pay to the Trustee, subject to the conditions set forth in said Series 59-B Liquidity Facility, upon request made by the Trustee and in accordance with the terms thereof.

The Bank's Principal Commitment initially is \$99,000,000 (the "Principal Commitment") which will be adjusted from time to time (a) downward by the principal amount of any Series 59-B Bonds redeemed or paid in full by the Agency; (b) downward by the principal amount of any Series 59-B Bonds purchased by the Bank; and (c) upward by the principal amount of any Series 59-B Bonds purchased by the Bank which are repurchased by the Trustee or the Agency or retained by the Bank in lieu of a remarketing thereof pursuant to the Series 59-B Liquidity Facility.

The Bank's Interest Commitment initially, during the period from November 18, 2025, to but excluding July 1, 2026, is \$7,323,288 (computed as the interest on the initial Principal Commitment for a period of 225 days in a year of 365 days and calculated at the rate of 12% per annum), and beginning on July 1, 2026, is \$6,151,562 (computed as the interest on the initial Principal Commitment for a period of 189 days in a year of 365 days and calculated at the rate of 12% per annum) (individually, as applicable, the "Interest Commitment" and with the Principal Commitment, the "Commitment") which Interest Commitment will be adjusted from time to time (a) downward by an amount that bears the same proportion to such initial Interest Commitment as the amount of any reduction in the Principal Commitment bears to the initial Principal Commitment as of the date of such reduction and (b) upward by an amount that bears the same proportion to such initial Interest Commitment as the amount of any increase in the Principal Commitment bears to the initial Principal Commitment as of the date of such increase.

Subject to the terms of the Fifty-Ninth Supplemental Trust Agreement, the Agency may deliver to the Trustee a Substitute Series 59-B Liquidity Facility to replace the Series 59-B Liquidity Facility issued by the Bank. In connection with any such substitution, the Series 59-B Bonds will be subject to mandatory tender prior to the termination of the Series 59-B Liquidity Facility issued by the Bank.

The initial Series 59-B Liquidity Facility has a term of five (5) years. The Series 59-B Liquidity Facility may be extended thereafter by mutual agreement of the Bank and the Agency.

If a Series 59-B Liquidity Facility is in effect with respect to the Series 59-B Bonds, the Trustee shall present all drafts, demands and other documents required by the Series 59-B Liquidity Facility (in the manner therein permitted and by the time required thereby) for the payment of funds thereunder (after taking into account funds from remarketing as herein provided then held by the Trustee) sufficient to pay, on each purchase date, the purchase price for the Series 59-B Bonds tendered.

If payment of the purchase price of any Series 59-B Bond shall not be made to the Owner thereof on any purchase date (a "Failed Purchase Date"), such Series 59-B Bond shall be returned by the Trustee to the Owner thereof. Thereafter, commencing on the Failed Purchase Date and ending on the date that the Agency, in its discretion, purchases or causes the purchase of all Series 59-B Bonds, the Series 59-B Bonds shall bear interest at a variable rate per annum equal to the SIFMA Swap Index plus 4%. In the event that the Agency purchases or causes the purchase of the Series 59-B Bonds, and a Series 59-B Liquidity Facility is in effect, such Series 59-B Bonds shall thereafter bear interest at a Daily Interest Rate or a Weekly Interest Rate as determined by the Agency.

**The Series 59-B Liquidity Facility secures only payment of the purchase price of Series 59-B Bonds tendered for purchase as described above, and does not otherwise secure payment of the principal of, premium, if any, or interest on the Series 59-B Bonds. The Series 59-B Liquidity Facility is subject to termination at the option of the Bank as described below.**

## Events of Default Not Permitting Immediate Termination

The occurrence of any of the following events shall constitute an “Event of Default” under the Series 59-B Liquidity Facility. All capitalized terms used in this section which are defined in the Standby Bond Purchase Agreement shall have the same meanings as are set forth therein (see Appendix H – “STANDBY BOND PURCHASE AGREEMENT – Definitions”).

- (a) Payments. The Agency shall fail to pay (i) when due certain amounts owed by the Agency to the Bank pursuant to the Series 59-B Liquidity Facility (other than as specified under the caption “Events of Default Permitting Immediate Suspension or Termination” below); or (ii) within five (5) Business Days after the same shall become due any amount owed to the Bank pursuant to certain other provisions of the Series 59-B Liquidity Facility (other than as specified under the caption “Events of Default Permitting Immediate Suspension or Termination” below) or the Fee Letter.
- (b) Representations. Any representation or warranty made by or on behalf of the Agency in the Series 59-B Liquidity Facility or in any other Related Document or in any certificate or statement delivered thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.
- (c) Covenants. The Agency shall fail to observe or perform certain covenants in the Series 59-B Liquidity Facility.
- (d) Other Covenants. The Agency shall fail to perform or observe any term, covenant or agreement (other than ones described in any other paragraph under this caption) contained in the Series 59-B Liquidity Facility or any other Related Document on its part to be performed or observed which failure continues for 30 days or more.
- (e) Other Documents. Any event of default under any of the other Related Documents shall occur.
- (f) Downgrade. The rating assigned to the Series 59-B Bonds or to any other Material Debt (without regard to third party credit enhancement) by Moody’s or S&P shall be withdrawn or suspended for credit related reasons or fall below “A3” by Moody’s or “A-” by S&P.
- (g) Cross Acceleration. Any act or omission by the Agency shall occur under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued which results in such Material Debt becoming, or being capable of becoming, immediately due and payable.
- (h) Cross Default. The Agency shall default under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued, and such default shall continue beyond the period of grace, if any, allowed with respect thereto.
- (i) Invalidity or Contest of Validity. Other than as described under the below caption “Events of Default Permitting Immediate Suspension or Termination,” (i) the Series 59-B Liquidity Facility, any other Related Document or any provision thereof shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Agency, the State or any other Governmental Authority with appropriate jurisdiction shall contest the validity or enforceability of the Agency’s obligations under the Series 59-B Liquidity Facility or under the other Related Documents or deny that the Agency has any further liability or obligation under the Series 59-B Liquidity Facility or under the other Related Documents.
- (j) Taxability. A Tax Event or an Event of Taxability shall have occurred.
- (k) Default. The Agency shall default in the payment of any regularly scheduled amount due in respect of any Swap Agreement with the Bank or in the payment due in respect of any principal of or interest on any Debt owed to the Bank.

(l) Cross Default to Certain Debt. The Agency shall default in the payment of any amount due in respect of any Debt in an aggregate amount in excess of Fifteen Million Dollars (\$15,000,000), as and when the same shall become due, or default under any mortgage, agreement or other instrument pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Agency under any such mortgage, agreement or other instrument which results in such Debt becoming, or being capable of becoming immediately due and payable (or, with respect to any Swap Agreement, which results in such Swap Agreement being terminated early or being capable of being terminated early).

### **Events of Default Permitting Immediate Suspension or Termination**

The occurrence of any of the following events shall constitute an “Event of Default” under the Series 59-B Liquidity Facility. All capitalized terms used in this section which are defined in the Standby Bond Purchase Agreement shall have the same meanings as are set forth therein (see Appendix H – “STANDBY BOND PURCHASE AGREEMENT – Definitions”).

(a) Event of Insolvency. Any of the following shall have occurred with respect to the Agency:

- i. the issuance, under the laws of any state or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of the Agency;
- ii. the commencement by or against the Agency of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to the Agency or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the Agency or any substantial part of its property or the appointment, or the designation with respect to it, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it of, the existence of a state of financial emergency or similar state of financial distress in respect of it;
- iii. the making of an assignment for the benefit of creditors by the Agency;
- iv. the Agency is “insolvent” as defined in Section 101(32) of the United States Bankruptcy Code;
- v. the declaration of a moratorium with respect to the payment of the debts of the Agency which means that a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, Material Debt as a result of a finding or ruling of a Governmental Authority with jurisdiction over the Agency;
- vi. the admission by the Agency in writing of its inability to pay its debts when due; or
- vii. the initiation of any actions to authorize any of the foregoing by or on behalf of the Agency.

(b) Payment Default. Any principal or interest due with respect to the Series 59-B Bonds (including regularly scheduled payments of principal and interest on Bank Bonds) is not paid when due or the Agency fails to make or otherwise defaults in any payment of regularly scheduled principal of or interest on any other Material Debt beyond any grace period provided with respect thereto.

(c) Invalidity. (i) The Act, the Series 59-B Bonds (including Bank Bonds), the Series 59-B Liquidity Facility, the Trust Agreement, any Material Debt, or any material provision thereof relating to

the payment of principal of or interest on the Series 59-B Bonds or other Material Debt, shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; (ii) the pledge of and lien on the Trust Estate shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of the Series 59-B Liquidity Facility, the Act, the Series 59-B Bonds (including Bank Bonds), the Trust Agreement or any Material Debt shall find or rule that any of the Act, the Series 59-B Liquidity Facility, the Series 59-B Bonds (including Bank Bonds), the Trust Agreement or any Material Debt, as the case may be, or any provision thereof relating to (A) the payment of principal of or interest on the Series 59-B Bonds (including Bank Bonds) or any Material Debt or (B) the pledge of and lien on the Trust Estate is not valid or not binding on the Agency or is null and void.

(d) Contest of Validity. The Agency or any Governmental Authority with appropriate jurisdiction (i) shall repudiate or deny that the Agency has any further liability or obligation under the Series 59-B Liquidity Facility, the Series 59-B Bonds (including Bank Bonds), the Act, the Trust Agreement or any Material Debt or (ii) shall claim that any of the provisions that provide (A) for the payment of principal of or interest on the Series 59-B Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and lien on the Trust Estate, in the Trust Agreement, the Series 59-B Bonds (including Bank Bonds) or the Series 59-B Liquidity Facility, is not valid or not binding on the Agency; or (iii) shall initiate any legal proceedings to seek an adjudication that any of the provisions that provide (A) for the payment of principal of or interest on the Series 59-B Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and lien on the Trust Estate, in the Trust Agreement, the Series 59-B Bonds (including Bank Bonds) or the Series 59-B Liquidity Facility is not valid or not binding on the Agency; (iv) shall have taken or permitted to be taken any official action, or shall have duly enacted any statute, which would materially adversely affect the enforceability of any of the provisions that provide (A) for the payment of principal of or interest on the Series 59-B Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and lien on the Trust Estate, in the Trust Agreement, the Series 59-B Bonds (including Bank Bonds) or the Series 59-B Liquidity Facility.

(e) Investment Grade Rating. The unenhanced rating of the Series 59-B Bonds or any other Material Debt shall be (i) withdrawn or suspended for credit-related reasons or reduced below “Baa3” by Moody’s and (ii) withdrawn or suspended for credit-related reasons or reduced below “BBB-” by S&P.

(f) Judgment. (i) One or more final, non-appealable judgments or orders in an amount in excess of \$15,000,000 in the aggregate shall be rendered against the Agency and (ii) such judgments or orders shall not have been paid in accordance with the terms of such judgments or orders or discharged, vacated, satisfied or stayed within 60 days after entry thereof or if, after the expiration of any such stay, such judgments or orders shall not have been paid in accordance with the terms of such judgments or orders or discharged.

## Remedies

All capitalized terms used in this section which are defined in the Standby Bond Purchase Agreement shall have the same meanings as are set forth therein (see Appendix H – “STANDBY BOND PURCHASE AGREEMENT – Definitions”).

(a) Immediate Termination. Upon the occurrence of any Event of Default described in (a), (b), (c)(i), (c)(ii), (d), (e) or (f) under the caption “Events of Default Permitting Immediate Suspension or Termination” (each an “Immediate Termination Event”), the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Bonds under the Series 59-B Liquidity Facility. Upon an Immediate Termination Event, the Bank shall promptly give written notice of the same to the Agency, the Trustee, the Tender Agent and the Remarketing Agent; provided that the Bank shall incur no liability of any kind by reason of its failure to give such notice, and such

failure shall in no way affect the termination of the Available Commitment, the Purchase Period and the Bank's obligation to purchase Eligible Bonds pursuant to the Series 59-B Liquidity Facility.

(b) Termination with Notice. Upon the occurrence of any Event of Default described under the caption "Events of Default not Permitting Immediate Termination," the Bank may terminate the Available Commitment and the Purchase Period by giving a Notice of Termination Date to the Agency, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period shall terminate, which date shall be not less than thirty (30) days after the date of receipt of such Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period shall terminate and the Bank shall be under no further obligation to purchase Eligible Bonds under the Series 59-B Liquidity Facility.

(c) Suspension Events. In the case of an Event of Default specified in clause (c)(iii) under the caption "Events of Default Permitting Immediate Suspension or Termination" (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non-appealable judgment) (an "Immediate Suspension Event"), the Bank's obligation to purchase Eligible Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Eligible Bonds until such obligation is reinstated pursuant to the Series 59-B Liquidity Facility. Promptly upon the Bank obtaining knowledge of any such Immediate Suspension Event, the Bank shall give written notice to the Agency, the Tender Agent, the Trustee and the Remarketing Agent of such suspension; provided that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in such clause (c)(iii) shall enter a final, non-appealable judgment that any such provision is not valid and binding on the Agency, then the Purchase Period, the Available Commitment and the Bank's obligation to purchase Eligible Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in such clause (c)(iii) shall thereafter find or rule that such provisions are valid and binding on the Agency, the Bank's obligation to purchase Eligible Bonds under the Series 59-B Liquidity Facility shall be automatically reinstated and the terms of the Series 59-B Liquidity Facility will continue in full force and effect (unless the obligation of the Bank to purchase Eligible Bonds under the Series 59-B Liquidity Facility shall otherwise have terminated or been suspended as provided in the Series 59-B Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date which is two (2) years after the effective date of suspension of the Bank's obligation pursuant to the provision described in this paragraph (c), litigation is still pending and a judgment regarding the validity of the provisions described in such clause (c)(iii) that are the cause of such Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds shall at such time immediately terminate and thereafter the Bank shall be under no obligation to purchase Eligible Bonds under the Series 59-B Liquidity Facility.

(d) Other Remedies. In addition to the rights and remedies described in clauses (a), (b) and (c) under this caption "Remedies," upon the occurrence of any Event of Default specified in the Series 59-B Liquidity Facility, upon the election of the Bank: (i) all amounts payable under the Series 59-B Liquidity Facility, under the Fee Letter and under the Bank Bonds shall, upon demand by the Bank given to the Agency and the Trustee, become immediately due and payable without other presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Agency in the Series 59-B Liquidity Facility; and (ii) all Bank Bonds shall, upon demand by the Bank made to the Agency and the Trustee, become subject to immediate mandatory redemption. Upon the occurrence of any Event of Default specified in the Series 59-B Liquidity Facility, the Bank shall have all the rights and remedies available to it under the Series 59-B Liquidity Facility, the other Related Documents or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due under the Series 59-B Liquidity Facility due and payable except as expressly provided in the Series 59-B Liquidity Facility.

(e) **Remedies Non-Exclusive.** The remedies described under the caption “Remedies” shall only be exclusive with respect to Events of Default to the extent described above and to the extent they are obtained by the Bank. If, for any reason whatsoever, the Bank is not able to obtain all such remedies, then the Bank reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity, or any Related Documents.

Notwithstanding the provisions described above, if, upon the occurrence of an Event of Default under the caption “Events of Default not Permitting Immediate Termination”, the Bank exercises its rights under the Series 59-B Liquidity Facility to declare the amounts owed thereunder, under the Fee Letter and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Agency to pay such accelerated amounts shall not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Bank’s obligation to purchase Eligible Bonds pursuant to the Series 59-B Liquidity Facility.

## **The Bank**

Royal Bank of Canada (referred to in this section as “Royal Bank”) is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank’s corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec, H3B 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, the Remarketing Agent.

Royal Bank is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 101,000+ employees who leverage their imaginations and insights to bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada’s biggest bank, and one of the largest in the world based on market capitalization, we have a diversified business model with a focus on innovation and providing exceptional experiences to our more than 19 million clients in Canada, the U.S. and 27 other countries.

Royal Bank had, on a consolidated basis, as at July 31, 2025, total assets of C\$2,227.9 billion (approximately US\$1,608.5 billion<sup>1</sup>), equity attributable to shareholders of C\$135.6 billion (approximately US\$97.9 billion<sup>1</sup>) and total deposits of C\$1,481.5 billion (approximately US\$1,069.6 billion<sup>1</sup>). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank’s unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended July 31, 2025.

The senior long-term debt<sup>2</sup> of Royal Bank has been assigned ratings of A (stable outlook) by S&P Global Ratings, A1 (stable outlook) by Moody’s Investors Service and AA- (stable outlook) by Fitch Ratings. The legacy senior long-term debt<sup>3</sup> of Royal Bank has been assigned ratings of AA- by S&P Global Ratings, Aa1 by Moody’s Investors Service and AA by Fitch Ratings. Royal Bank’s common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol “RY.” Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Official Statement is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank

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<sup>1</sup> As at July 31, 2025: C\$1.00 = US\$0.722

<sup>2</sup> Includes senior long-term debt issued on or after September 23, 2018 which is subject to conversion under the Canadian Bank Recapitalization (Bail-in) regime.

<sup>3</sup> Includes senior long-term debt issued prior to September 23, 2018 and senior long-term debt issued on or after September 23, 2018 which is excluded from the Bail-in regime.

of Canada, by writing to 200 Bay Street, South Tower, Toronto, Ontario, M5J 2J5, Canada, or by calling 416-842-2000, or by visiting [rbc.com/investorrelations](http://rbc.com/investorrelations)<sup>1</sup>.

The delivery of this Official Statement does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

## **REDEMPTION OF THE SERIES 59-B BONDS**

The Series 59-B Bonds shall not be subject to prior redemption except as provided in the Fifty-Ninth Supplemental Trust Agreement and the Trust Agreement.

### **Optional Redemption of Series 59-B Bonds**

While the Series 59-B Bonds bear interest at the Daily Interest Rate or Weekly Interest Rate, the Series 59-B Bonds will be subject to optional redemption by the Agency, in whole or in part on any Business Day, at a redemption price equal to 100% of the principal amount of the Series 59-B Bonds to be redeemed, plus accrued interest, if any, to the redemption date.

Any such optional redemption shall be from any moneys on hand held for the credit of the Optional Redemption Account on or before the date fixed for redemption, including, without limitation, the proceeds of any refunding Bonds issued pursuant to the Trust Agreement, upon receipt of an Officer's Certificate as provided in the Trust Agreement, in such manner as the Agency in its discretion may determine, and upon notice as provided in the Trust Agreement.

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<sup>1</sup> This website URL is an inactive textual reference only, and none of the information on the website is incorporated in this Official Statement.

## **Mandatory Sinking Fund Redemption of Series 59-B Bonds**

The Series 59-B Bonds are subject to mandatory sinking fund redemption by lot on January 1, 2047, and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 59 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Series 59-B Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2047	\$815,000
July 1, 2047	3,935,000
January 1, 2048	4,050,000
July 1, 2048	4,170,000
January 1, 2049	4,290,000
July 1, 2049	4,410,000
January 1, 2050	4,540,000
July 1, 2050	4,675,000
January 1, 2051	4,810,000
July 1, 2051	4,950,000
January 1, 2052	5,090,000
July 1, 2052	5,240,000
January 1, 2053	5,395,000
July 1, 2053	5,550,000
January 1, 2054	5,710,000
July 1, 2054	5,880,000
January 1, 2055	6,050,000
July 1, 2055	6,230,000
January 1, 2056	6,410,000
July 1, 2056	5,735,000
January 1, 2057*	1,065,000

\*Maturity

### **Special Redemption**

General. Except as hereinafter provided, the Series 59-B Bonds may be redeemed pursuant to an Officer's Certificate in whole or in part on any date from (i) unexpended proceeds of the Series 59 Bonds, (ii) amounts deposited in the Series 59 Principal/Special Redemption Account as provided in the Fifty-Ninth Supplemental Trust Agreement and the Trust Agreement, (iii) excess Revenues transferred from the Revenue Reserve Fund pursuant to the Trust Agreement, (iv) moneys withdrawn from the Proceeds Reserve Account of the Debt Service Reserve Fund in connection with an excess over the Debt Service Reserve Requirement and (v) Non-Series 55 Principal Reduction Payments. Any such redemption shall be at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Unexpended Proceeds. Unexpended proceeds of the Series 59 Bonds may be transferred, pursuant to the Trust Agreement, from the Series 59 Program Account to the Series 59 Principal/Special Redemption Account and applied by the Trustee to the special redemption of Series 59-B Bonds on any date directed by the Agency. In such event, the Series 59-B Bonds to be so redeemed shall be selected pro rata by maturity in proportion to the principal amount of each maturity outstanding, unless the Agency files with the Trustee prior to the date of redemption, a notice of intent to redeem such Series 59-B Bonds on other than a pro rata basis.

Ten Year Rule. As discussed under the heading "FEDERAL TAX REQUIREMENTS – Other Requirements," the Agency is required to apply certain repayments and prepayments on Series 59 Program Obligations funded with proceeds of the Series 59-B Bonds to the payment of principal on the Series 59-B Bonds (sometimes referred to as the "Ten Year Rule"). To comply with the Ten Year Rule, the following percentages of prepayments and repayments of principal on Series 59 Program Obligations received on or after the following

dates are required to be applied no later than the end of the first semiannual period beginning after the date of receipt to the payment of principal on the Series 59-B Bonds:

<u>Date</u>	<u>Percent</u>
November 18, 2025	-
November 17, 2026	1
June 7, 2027	3
June 13, 2028	4
November 14, 2028	5
April 10, 2029	6
September 18, 2029	7
January 16, 2030	9
May 20, 2030	11
October 14, 2030	13
April 22, 2031	15
September 22, 2031	17
April 28, 2032	19
December 13, 2032	20
May 4, 2033	22
August 9, 2033	24
November 21, 2033	25
February 7, 2034	26
June 21, 2034	27
October 8, 2034	93
November 18, 2035	100

The above amounts set forth the minimum amount of principal of the Series 59-B Bonds the Agency will be required to retire from prepayments and repayments following the respective dates to comply with the Ten Year Rule. The Agency may retire more principal than the minimum amount, whether at maturity or redemption, in accordance with the maturities of the Series 59-B Bonds and in accordance with the special redemption provisions of the Series 59-B Bonds described above.

Redemption Notice for the Series 59-B Bonds. At least thirty (30) days but not more than sixty (60) days before the redemption date of any Series 59-B Bond in a Long-Term Interest Rate Period and at least fifteen (15) days but not more than sixty (60) days before the redemption date of any Series 59-B Bond in a Daily Interest Rate Period or Weekly Interest Rate Period, whether such redemption shall be in whole or in part, the Trustee shall cause a notice of any such redemption to be provided to The Depository Trust Company (“DTC”), New York, New York as the Owner of the Series 59-B Bonds in accordance with the procedures of DTC for notices of redemption. If there is no securities depository, then notice shall be mailed, postage prepaid, to all Owners of Series 59-B Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but failure to mail any such notice to one or more Owners or any defect in such notice shall not affect the validity of the proceedings for such redemption with respect to any other Owner. Each such notice shall set forth the CUSIP numbers of the Series 59-B Bonds to be redeemed, the interest rate of the Series 59-B Bonds to be redeemed, the dated date of the Series 59-B Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the maturities of the Series 59-B Bonds to be redeemed, in the case of Series 59-B Bonds of any maturity to be redeemed in part only, the portion of the principal amount thereof to be redeemed, the address and phone number of the Trustee, the date of the redemption notice, that on the redemption date the Series 59-B Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that from the redemption date interest will cease to accrue and be payable.

Any notice of redemption, except a notice of mandatory sinking fund redemption, at the option of the Agency may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 59-B Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 59-B Bond shall not be required to be redeemed. In the event that such notice contains such a

condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 59-B Bonds are not received by the Trustee on or prior to the redemption date, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Officer's Certificate Required. All actions to be taken pursuant to the Redemption Article of the Fifty-Ninth Supplemental Trust Agreement shall be performed at the direction of the Agency as set forth in an Officer's Certificate filed with the Trustee.

So long as DTC or its nominee is the owner of the Series 59-B Bonds, the Agency and the Trustee will recognize DTC or its nominee as the registered owner of the Series 59-B Bonds for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Participants and by Participants to beneficial owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Any failure on the part of DTC or failure on the part of a nominee of a beneficial owner (having received notice from a Participant or otherwise) to notify the beneficial owner so affected shall not affect the validity of the redemption.

### **General Provisions as to Purchase or Redemption of Series 59-B Bonds**

Any Series 59-B Bonds or portions of Series 59-B Bonds to be purchased or redeemed other than by operation of the Sinking Fund Account shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of an Officer's Certificate determining the following: (a) the Series from which the Series 59-B Bonds are to be purchased or redeemed; (b) the maturities within such Series from which the Series 59-B Bonds are to be purchased or redeemed; (c) the principal amount of Series 59-B Bonds or portion of Series 59-B Bonds within such maturities to be purchased or redeemed; and (d) if any of the Series 59-B Bonds to be purchased or redeemed are Term Bonds, the years in which Sinking Fund Requirements are to be reduced and the amount by which such Sinking Fund Requirements are to be reduced. Pursuant to the Trust Agreement, the Agency shall not cause Series 59-B Bonds to be purchased or redeemed unless, after such purchase or redemption, there shall be no material adverse effect on the ability of the Agency to pay when due the principal of and interest on the Series 59-B Bonds then Outstanding. If less than all the Series 59-B Bonds of a single maturity shall be redeemed, the Series 59-B Bonds shall be redeemed by lot.

So long as DTC or its nominee is the owner of the Series 59-B Bonds, if less than all of the Series 59-B Bonds of any one maturity shall be called for redemption, the particular Series 59-B Bonds or portions of Series 59-B Bonds of such maturity to be redeemed shall be selected by DTC and its Participants in such manner as DTC and its Participants may determine. If a Series 59-B Bond is of a denomination in excess of \$5,000, portions of the principal amount in the amount of \$5,000 or any whole multiple thereof may be redeemed. If a Series 59-B Bond is of a denomination in excess of \$100,000, portions of the principal amount in the amount of \$100,000 or any whole multiple thereof may be redeemed.

## **THE AGENCY**

### **Organization and Purposes**

The Agency was created in 1973 by the Act as a body politic and corporate and as an instrumentality of the State. It is positioned within the Office of State Budget and Management for financial reporting and budgetary purposes, and it is managed solely by its Board of Directors (the "Board"). The Executive Director is appointed by the Board subject to the approval of the Governor. The Executive Director appoints all other employees subject to an organization chart which is approved by the Board. All employees of the Agency are exempt from the State Personnel Act, but they are considered State employees for certain purposes. They receive the State employee benefits package and participate in the Teachers' and State Employees' Retirement System of North Carolina.

The Agency, like all other State agencies, is required to submit its operating budget to the Office of State Budget and Management. Appropriations, if any, from the North Carolina General Assembly to the Agency are credited to the Agency by the Office of State Budget and Management.

The Agency makes available annual audited financial statements to the Governor, the State Treasurer, the State Auditor, the Finance Committee of the Senate, the Finance Committee of the House of Representatives, the Commission, the Advisory Budget Commission, and the Office of State Budget and Management.

## Board of Directors

The Board is constituted with thirteen members. The General Assembly appoints eight directors, four upon the recommendation of the Speaker of the House of Representatives (at least one of whom has had experience with a mortgage-servicing institution and one of whom is experienced as a licensed real estate broker), and four upon the recommendation of the President Pro Tempore of the Senate (at least one of whom is experienced with a savings and loan institution and one of whom is experienced in home building). The Governor appoints four of the directors of the Agency (one of such appointees is required to be experienced in community planning, one in subsidized housing management, one in public housing policy, and one in the manufactured housing industry). The twelve members so selected elect a thirteenth member. The Governor designates a chairman from among the members of the Board. Members of the Board and officers of the Agency continue in office until their successors are appointed.

The current members of the Agency's Board are the following:

<u>Name and Position</u>	<u>Term Expires</u>	<u>Occupation</u>
J. Adam Abram, Chair	6/30/2025*	Founder and Former Chairman, James River Group Holdings Ltd, Durham
Patricia G. Garrett, Vice Chair	6/30/2026	Retired Businesswoman, Surf City
Leigh T. Brown	6/30/2027	Realtor, Broker/Owner, RE/MAX Executive Realty, Concord
Ralphine Caldwell	6/30/2027	Executive Director, Local Initiative Support Corporation (LISC), Charlotte
Lavonda R. Daniels	6/30/2027	Vice President, Array CDC, Beaufort
Gary T. Embler	6/30/2027	Chief Financial Officer, Niblock Homes, Harrisburg
Marc Isaacson	6/30/2026	Partner, Isaacson Isaacson Sheridan Fountain & Leftwich, LLP, Greensboro
Paul S. Jaber	6/30/2027	Retired businessman, Rocky Mount
Paul L. Kennedy	6/30/2027	Retired Sr. Vice President, Carolina Bank, Shallotte
Christopher C. Parrish	6/30/2025*	Co-Owner, Parrish Manor, Inc., Raleigh

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\* Awaiting reappointment by the Governor. The Board Members remain in their roles until they are reappointed or their successors are named.

<u>Name and Position</u>	<u>Term Expires</u>	<u>Occupation</u>
B. Lynn Pinter	6/30/2027	Director of Lending, Champion Credit Union, Canton
Tom E. Smith	6/30/2027	Fonville Morissey Realty, Cary
Jason Triplett	6/30/2027	Head of Commercial Banking, EVP, First Horizon Regional Bank, Boone

### **Agency Staff**

The Agency currently employs approximately 132 persons. The following persons have been appointed as the principal staff of the Agency:

<u>Name and Position</u>	<u>Experience</u>
Scott Farmer Executive Director	Executive Director, North Carolina Housing Finance Agency, 2017 to present, Director of Rental Investment, 2005 to 2016, Manager of Rental Development, 2001-2005, Debt Restructuring Specialist, 1999-2001; REO/Commercial Asset Supervisor, CDSI Mortgage Services, 1998-1999, Commercial Asset Manager, 1996-1998; Problem Loan Specialist, Wendover Funding, 1993-1996; Legal Assistant, W.A. Bason, Attorney at Law, 1990-1993. Mr. Farmer is a Member of the Board of Directors of the National Council of State Housing Agencies and a Member of the Affordable Housing Advisory Council of the Federal Home Loan Bank of Atlanta.
Brett Warner Chief Financial Officer	Chief Financial Officer, North Carolina Housing Finance Agency, 2021 to present, Controller, 2019-2021; Privately Held Real Estate Company Controller, 2015-2019; Vice President, Credit Suisse, 2010-2015; Audit Senior, PwC, 2005-2010.
Sonia Joyner Director of Home Ownership Programs	Director of Home Ownership Programs, North Carolina Housing Finance Agency, 2018 to present, Manager of Strategic Investment Services, 2015-2018, Team Leader of Strategic Investment Services 2010-2015, Senior Housing Production Officer, 1999-2010, Loan Underwriter 1997-1999.
Ariana Kudlats Manager of Bonds, Mortgage Loans & Strategic Projects	Manager of Bonds, Mortgage Loans & Strategic Projects, North Carolina Housing Finance Agency, 2021 to present, Assistant Controller, 2020-2021, Senior Accountant, 2014-2020; Tax Supervisor, Warren Averett, LLC, 2012-2014; Audit Associate, BDO USA, LLP, 2011-2012; Tax Associate, Cornick, Garber & Sandler, LLP, 2007-2010.
Jennifer Percy General Counsel – Director of Legal Affairs & Compliance	General Counsel – Director of Legal Affairs & Compliance, North Carolina Housing Finance Agency, 2012 to present; Counsel and Manager of Legal Services, North Carolina Housing Finance Agency 2006-2012; Associate, Nelson Mullins Riley & Scarborough, 2006; Attorney, North Carolina Housing Finance Agency 2003-2005.

<u>Name and Position</u>	<u>Experience</u>
Tim Carroll Chief Information Officer	Chief Information Officer, North Carolina Housing Finance Agency, 2014 to present, Manager of Information Technology, 2011-2014, Senior Systems Analyst, 2006-2011; Senior Consultant, Keane, Inc., Durham, NC 1999-2006.

The Agency is located at 3508 Bush Street, Raleigh, North Carolina 27609, and its telephone number is (919) 877-5900. The Agency's web site is [www.nchfa.com](http://www.nchfa.com). Brett Warner is the contact person at the Agency for questions regarding the Agency's bond programs. His telephone number is (919) 981-2519 and his e-mail address is [bawarner@nchfa.com](mailto:bawarner@nchfa.com).

## THE PROGRAM

### General

Under the Trust Agreement, the type of low and moderate income housing financing that will be provided, and the security for the Program Obligations to be financed by a given Series of Bonds is determined and set forth in the Supplemental Trust Agreement authorizing that Series of Bonds entered into by the Agency at the time such Bonds are issued. Program Obligations may involve financing for purposes of, among others, home ownership, home improvement and residential rental housing.

### Program Loans under the FirstHome Mortgage Program

Historically, proceeds of Bonds have been used by the Agency to purchase Program Loans originated by Lenders specifically for sale to the Agency for the purpose of providing financing for residential housing for low and moderate income households in North Carolina. The mortgage program financed with the sale of the tax-exempt bond proceeds for the purchase of Program Loans to date is called the FirstHome Mortgage program ("FirstHome"). In addition to Program Loans purchased under FirstHome, Program Loans also include mortgage loans purchased with proceeds of Bonds of the Agency issued under financing documents other than the Trust Agreement that were refunded by Bonds issued under the Trust Agreement. Under this program, the mortgage loans were purchased as Program Loans and are reflected on the Statement of Net Position as mortgage loans.

The Agency has entered into various arrangements with financial institutions for mortgage servicing services in connection with these Program Loans. Such services include collecting mortgage loan payments and transferring principal and interest payments to the Trustee, property tax payments to the taxing jurisdictions and property and casualty insurance payments to the property insurer, confirming that the Program Loan is in compliance with the applicable mortgage insurer or guarantor and other traditional servicing activities. Currently, the institutions servicing the Program Loans held under the Trust Agreement are SN Servicing Corporation; PNC Bank, National Association; Truist Bank; Bank of America, N.A.; and US Bank Home Mortgage. The Agency monitors the services provided by such financial institutions and has the contractual right to remove any servicer that is not providing acceptable services.

### Program Securities under the NC Home Advantage Mortgage Program

In 2013, the Agency created a new mortgage loan product called NC Home Advantage Mortgage ("HomeAd"). The mortgage loans are pooled into Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities by the Agency's master servicer, which is currently ServiSolutions. HomeAd production is funded using two sources of funds: (1) through the issuance of tax-exempt and taxable mortgage revenue bonds and (2) through the sale of MBS to a third party. The bond-funded MBS are reflected on the Agency's Statement of Net Position as investments.

The HomeAd program provides multiple down payment assistance options to borrowers, across all loan types (FHA, USDA, VA and conventional), including no down payment assistance, 3% down payment assistance, or the NC 1<sup>st</sup> Home Advantage Down Payment Assistance which provides a fixed amount of down payment assistance. The HomeAd loans with the NC 1<sup>st</sup> Home Advantage Down Payment Assistance are bond funded and

are paired with \$15,000 of down payment assistance. Series 59 proceeds will be used to purchase NC 1<sup>st</sup> Home Advantage Down Payment Assistance loans (“Series 59 DPA Loans”).

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security (“UMBS”). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for “mirror” UMBS backed by the same loans as the existing securities. Proceeds of the Series 59 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Series 59 Certificates the term “Mortgage-Backed Securities” includes UMBS.)

The proceeds of the Series 59 Bonds and other funds deposited to the Series 59 Program Account will provide the funds for the purchase of Series 59 Program Securities. The interest rates, origination fees and terms of the Series 59 Securitized Mortgage Loans underlying the MBS may vary. The Agency anticipates (a) Series 59 Securitized Mortgage Loans consisting of FHA/VA/USDA insured mortgage loans will be financed through the purchase of Ginnie Mae Certificates by the Trustee, (b) Series 59 Securitized Mortgage Loans consisting of conventional loans will be financed through the purchase of Fannie Mae Certificates by the Trustee and (c) Series 59 Securitized Mortgage Loans consisting of conventional loans may also be financed through the purchase of Freddie Mac Certificates by the Trustee. The term of the Series 59 Securitized Mortgage Loans will be 30 years. The Agency expects to evaluate and change interest rates as appropriate in light of rates in the residential mortgage market generally, economic conditions and financial considerations of the Agency, all within the limitations established by federal tax laws and regulations. See “TAX TREATMENT.” The Agency has entered into (and anticipates entering into additional) mortgage origination agreements (“Origination Agreements”) with qualified mortgage lending institutions (the “Lenders”), pursuant to which the Lenders may originate Series 59 Securitized Mortgage Loans under the Program. Upon closing of the Series 59 Securitized Mortgage Loans, the Lenders will sell approved Ginnie Mae Loans, the Fannie Mae Loans and Freddie Mac Loans to ServiSolutions, which ServiSolutions will pool into fully modified Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates (Program Securities).

In connection with the origination of Series 59 Securitized Mortgage Loans, the Trustee, on behalf of the Agency, will purchase from ServiSolutions, (i) fully modified Ginnie Mae Certificates (as defined herein) backed by Series 59 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Ginnie Mae, (ii) Fannie Mae Certificates (as defined herein) backed by Series 59 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Fannie Mae, and/or (iii) Freddie Mac Certificates (as defined herein) backed by Series 59 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Freddie Mac. The obligations of Ginnie Mae are considered general obligations of the United States backed by its full faith and credit. The obligations of Fannie Mae under its guarantees of the Fannie Mae Loans are obligations of Fannie Mae only. The obligations of Freddie Mac under its guarantees of the Freddie Mac Loans are obligations of Freddie Mac only. The Fannie Mae Loans and the Freddie Mac Loans, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States, other than Fannie Mae and Freddie Mac respectively, and Fannie Mae and Freddie Mac respectively are not entitled to the full faith and credit of the United States. See “Appendix E: SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE AND FREDDIE MAC CERTIFICATE PROGRAM.”

Series 59 DPA Loans are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program. Notwithstanding any other provision of the Trust Agreement or the Fifty-Ninth Supplemental Trust Agreement, a Series 59 DPA Loan may be secured by a mortgage that is subordinate to the first mortgage on the financed property made in connection with the origination of the related Series 59 Securitized Mortgage Loan, and the mortgage may be further subordinated to other mortgages and liens on the financed property as may be approved by the Agency. Initially, it is the intention of the Agency that no principal on the Series 59 DPA Loans will be due on Series 59 DPA Loans during the first fifteen years of such loan unless (i) the property purchased with such loan is sold during such period, (2) the Series 59 Securitized Mortgage Loan related to the Series 59 DPA Loan is refinanced, or (3) there is a default under the first mortgage

loan related to the Series 59 DPA Loan. If the events described in the preceding sentence do not occur as of the applicable date, 20% of the original principal of the Series 59 DPA Loans will be reduced on each of the eleventh, twelfth, thirteenth, fourteenth and fifteenth anniversaries of the origination of the Series 59 DPA Loan.

In addition to the reduction in the principal amount of any Series 59 DPA Loan permitted by the terms thereof, in the event that there is a default under a Series 59 DPA Loan and a subsequent foreclosure under the mortgage securing such Series 59 DPA Loan, and upon such foreclosure the amount received for payment of the Series 59 DPA Loan is less than the principal amount of the Series 59 DPA Loan, the principal amount of the Series 59 DPA Loan shall be further reduced by the deficiency between the principal amount of the Series 59 DPA Loan and the amount available for payment (and no transfer from the Revenue Reserve Fund to the Series 59 Principal/Special Redemption Account pursuant to the Trust Agreement shall be necessary). The Agency may also elect to reduce the principal amount of any Series 59 DPA Loan at any time in connection with the sale of the property securing the Series 59 DPA Loan in the event that the proceeds of the sale are not sufficient to prepay the entire principal amount of the Series 59 DPA Loan following the application of the proceeds of the sale to the payment of any mortgage loan that is senior to the Series 59 DPA Loan and to other costs related to the sale of the property.

The Agency may also waive the requirement that the principal of a Series 59 DPA Loan be paid in connection with the refinancing of the related Series 59 Securitized Mortgage Loan if the Agency concludes that the refinancing will carry out certain of its programmatic objectives. Upon such a waiver, the Series 59 DPA Loan will be made subordinate to the new mortgage loan providing for the refinancing.

In addition, the Agency may waive the requirement that the principal of a Series 59 DPA Loan be paid for any other reason if such waiver of payment is consistent with the program objectives of the Agency.

The Series 59 DPA Loans purchased with the proceeds of the Series 59 Bonds are Program Loans, and therefore Program Obligations, under the Trust Agreement and, as such, are subject to the pledge of the Program Obligations to secure the payment of the Bonds as provided in the Trust Agreement. Any payments on Series 59 DPA Loans (which at present are expected to be derived only from Prepayments of Series 59 DPA Loans as described above) shall be deposited to the Principal Account or Sinking Fund Account to be used to pay the next principal payment on the Series 59 Bonds. In addition, Series 59 Program Securities purchased with amounts not derived from proceeds of the Series 59 Bonds are Program Securities, and therefore Program Obligations, under the Trust Agreement and, as such, are subject to the pledge of the Program Obligations to secure the payment of the Bonds as provided in the Trust Agreement.

## **ServiSolutions**

ServiSolutions is the Master Servicer for the purchase of Series 59 Securitized Mortgage Loans from Mortgage Lenders, the issuance of Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates backed by such Series 59 Securitized Mortgage Loans, and, with respect to the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates that will be acquired with Series 59 Bond proceeds, to sell the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates to the Trustee. Once the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates have been issued to the Trustee, ServiSolutions' primary duties involve the collection and distribution to the Trustee of payments received on account of the underlying Series 59 Securitized Mortgage Loans. This includes payments received from Ginnie Mae, Fannie Mae and Freddie Mac with respect to defaulted Series 59 Securitized Mortgage Loans. ServiSolutions' ability to purchase and pool Series 59 Securitized Mortgage Loans, and to issue and deliver Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates, underlies the Trustee's ability to spend Series 59 Bond proceeds in a timely manner. ServiSolutions and the Agency entered into a contract in August 2017, which limits the purchase of mortgage loans between the date of purchase from the lender to the date of settlement of the security. The contract limits ServiSolutions to \$60 million of purchases but allows the Agency to purchase up to \$60 million of mortgage loans for a maximum of \$120 million at any given time. This amount may be increased pursuant to a mutual agreement between the parties. The mortgage loans temporarily owned by the Agency earn interest for the Agency equal to the mortgage interest rate minus the servicing fee, and these loans are reflected as "Mortgage loans held for resale" on the financial statements.

The Agency is responsible under the Servicing Agreement for reviewing each Series 59 Securitized Mortgage Loan originated by the Mortgage Lenders to determine compliance with the Agency's program requirements. ServiSolutions reviews the Series 59 Securitized Mortgage Loans to determine compliance with Ginnie Mae, Fannie Mae and Freddie Mac loan documentation. Upon completion of such review, ServiSolutions is required to acquire approved Series 59 Securitized Mortgage Loans on behalf of the Agency, and complete all required documents and forms incidental to the inclusion of such Series 59 Securitized Mortgage Loans in Ginnie Mae, Fannie Mae and Freddie Mac pools.

### **Experience to Date Under the Program**

The Agency has issued over \$6.4 billion of Bonds under the Trust Agreement (excluding Refunding Bonds) for the purposes of the Program. All of the Bonds issued up until the Series 37 Bonds funded a program in which the Agency purchased Program Loans and not Program Securities. A total of fifty-eight Series of Bonds have been issued under the Trust Agreement. In addition to Bonds paid at maturity or redeemed from available funds of the Agency, Series 1 through Series 26 and Series 28 through Series 31 were refunded by the Series 32 through Series 39 Bonds. The Series 32 Bonds were refunded by Series 46. Upon such refunding, the Program Loans financed by the Bonds that were refunded were transferred to the Program Account for the respective Series of Refunding Bonds.

The following table summarizes as of June 30, 2025, the outstanding Bonds under the Trust Agreement by Series of Bonds:

[Table appears on following page]

**Bonds Payable (000's)**

Bond Issue	Dated Date	Optional Call Date	Amount Issued	Amount Outstanding	Rate Bonds	Call Priority PAC Bonds	Outstanding Principal Amounts by Interest Rate						
							Variable						
							≥ 1.00% & < 1.00%	≥ 2.00% & < 2.00%	≥ 3.00% & < 3.00%	≥ 4.00% & < 4.00%	≥ 5.00% & < 5.00%	≥ 6.00% & < 7.00%	
<b>Tax Exempt</b>													
Series 37-A	11/17/16	1/1/26	\$96,745	\$2,230	-	\$2,230	-	-	-	-	-	-	-
Series 37-B	11/17/16	1/1/26	95,255	14,140	-	-	-	-	\$2,445	\$11,695	-	-	-
Series 38-B	6/7/17	1/1/27	237,835	77,020	-	13,155	-	-	11,185	52,680	-	-	-
Series 39-B	6/13/18	7/1/27	136,915	32,965	-	12,180	-	-	2,430	18,355	-	-	-
Series 40	11/14/18	1/1/28	97,975	10,505	-	10,505	-	-	-	-	-	-	-
Series 41	4/10/19	7/1/28	146,700	73,300	-	14,775	-	-	10,585	47,940	-	-	-
Series 42	9/18/19	7/1/28	150,000	83,465	-	20,255	-	\$12,870	50,340	-	-	-	-
Series 43	1/16/20	1/1/29	150,000	88,520	-	22,355	-	10,415	55,750	-	-	-	-
Series 44	5/20/20	7/1/29	120,000	83,065	-	18,810	-	5,510	40,730	18,015	-	-	-
Series 45	10/14/20	1/1/30	200,000	136,170	-	37,690	\$8,305	41,530	48,645	-	-	-	-
Series 46-A	4/22/21	7/1/30	150,000	115,720	-	35,455	6,300	31,420	42,545	-	-	-	-
Series 47	9/22/21	7/1/30	162,000	134,320	-	37,650	10,165	26,430	60,075	-	-	-	-
Series 48	4/28/22	1/1/31	200,000	178,250	-	52,595	-	-	11,915	93,825	-	\$19,915	-
Series 49	12/13/22	7/1/31	180,000	168,785	-	53,380	-	-	-	17,970	\$59,245	38,190	-
Series 50	5/4/23	1/1/32	180,000	171,940	-	69,830	-	-	9,455	43,300	49,355	-	-
Series 51	8/9/23	7/1/32	199,000	192,030	-	64,975	-	-	-	41,935	85,120	-	-
Series 52-A	11/21/23	7/1/32	235,000	231,650	-	85,230	-	-	-	17,120	100,640	28,660	-
Series 52-C	11/21/23	-	40,000	40,000	\$40,000	-	-	-	-	-	-	-	-
Series 53-A	2/7/24	7/1/32	200,000	199,750	-	61,005	-	-	-	43,515	95,230	-	-
Series 54-A	6/21/24	1/1/33	199,500	199,455	-	80,725	-	-	-	20,155	98,575	-	-
Series 55-A	10/8/24	7/1/33	220,000	220,000	-	94,915	-	-	-	61,455	63,630	-	-
Series 55-B	10/8/24	-	80,000	80,000	80,000	-	-	-	-	-	-	-	-
Series 55-C	10/8/24	1/15/26	200,000	200,000	-	-	-	-	-	200	-	-	-
Series 57-A	2/27/25	7/1/33	92,500	92,500	-	92,500	-	-	-	-	-	-	-
Series 58-A	6/26/25	7/1/33	92,445	92,445	-	92,445	-	-	-	-	-	-	-
<b>Sub-Total</b>			<b>\$3,861,870</b>	<b>\$2,918,225</b>	<b>\$120,000</b>	<b>\$972,660</b>	<b>\$24,770</b>	<b>\$128,175</b>	<b>\$346,100</b>	<b>\$687,960</b>	<b>\$551,795</b>	<b>\$86,765</b>	<b>-</b>
<b>Federally Taxable</b>													
Series 35	5/6/14	1/1/24	\$54,335	\$960	-	\$960	-	-	-	-	-	-	-
Series 36	10/27/15	1/1/25	66,000	480	-	-	-	-	-	\$480,000	-	-	-
Series 46-B	4/22/21	7/1/30	17,865	4,940	-	-	-	\$4,940	-	-	-	-	-
Series 52-B	11/21/23	7/1/32	75,000	74,020	-	22,690	-	-	-	-	-	\$11,760	-
Series 53-B	2/7/24	7/1/32	100,000	99,750	-	29,460	-	-	-	-	\$6,355	63,935	-
Series 54-B	6/21/24	1/1/33	100,000	99,995	-	16,370	-	-	-	-	7,370	76,255	-
Series 57-B	2/27/25	7/1/33	206,500	206,500	-	-	-	-	-	-	28,410	178,090	-
Series 58-B	6/26/25	7/1/33	206,555	206,555	-	-	-	-	-	-	24,820	41,095	-
<b>Sub-Total</b>			<b>\$826,255</b>	<b>\$693,200</b>	<b>-</b>	<b>\$69,480</b>	<b>-</b>	<b>\$4,940</b>	<b>-</b>	<b>\$480,000</b>	<b>\$66,955</b>	<b>\$371,135</b>	<b>\$180,210</b>
<b>Total</b>			<b>\$4,688,125</b>	<b>\$3,611,425</b>	<b>\$120,000</b>	<b>\$1,042,140</b>	<b>\$24,770</b>	<b>\$133,115</b>	<b>\$346,100</b>	<b>\$688,440</b>	<b>\$618,750</b>	<b>\$457,900</b>	<b>\$180,210</b>

Through the issuance of the Series 36 Bonds, the Agency purchased Program Loans with bond proceeds. As described above, when a bond issue has been refunded, the Program Loans that were purchased with the Refunding Bonds were transferred to the Program Account created for the Refunding Bonds (although the Program Loans secure all Bonds on a parity basis). Beginning with the Series 37 Bonds, bond proceeds (other than refunding proceeds) were used to purchase new Program Securities representing new securitized mortgage loans for home ownership. The following table summarizes as of June 30, 2025, the Program Loans and Program Securities, which equal total Program Obligations held under the Trust Agreement and the Series of Bonds with which they are associated:

### **Program Obligations (000s)**

<u>Series</u>	<u>Principal Balance Program Loans<sup>1</sup></u>	<u>Principal Balance Program Securities</u>	<u>Principal Balance Program Obligations</u>	<u>Weighted Average Loan Interest Rate</u>
35	\$10,769	-	\$10,769	5.32%
36	14,554	-	14,554	5.59
37	30,283	\$40,892	71,175	4.79
38	5,146	81,114	86,260	4.91
39	6,210	49,582	55,792	5.34
40	-	45,010	45,010	5.40
41	-	65,779	65,779	4.80
42	-	82,165	82,165	4.24
43	-	87,417	87,417	4.03
44	-	77,165	77,165	3.52
45	38,741	104,524	143,265	3.23
46	14,248	115,790	130,038	3.67
47	-	134,960	134,960	3.81
48	-	175,576	175,576	5.24
49	-	160,303	160,303	6.14
50	-	171,536	171,536	6.37
51	-	188,407	188,407	6.58
52	-	325,754	325,754	6.99
53	-	288,117	288,117	6.89
54	-	290,818	290,818	6.78
55 <sup>2</sup>	-	310,311	310,311	6.55
57 <sup>3</sup>	-	218,567	218,567	6.72
<b>Unallocated</b>	<b>33,307</b>	<b>-</b>	<b>33,307</b>	<b>5.79</b>
<b>Total</b>	<b>\$153,258</b>	<b>\$3,013,787</b>	<b>\$3,167,045</b>	<b>5.79%</b>

<sup>1</sup> Does not include DPA/Second loans. As of June 30, 2025, the Agency had \$190,408,000 of DPA loans outstanding.

<sup>2</sup> The Agency issued approximately \$500,000,000 of Home Ownership Revenue Bonds, Series 55-A, Series 55-B and Series 55-C (Non-AMT) in October 2024. As of July 31, 2025 the Agency has utilized all proceeds of the Series 55-A Bonds and Series 55-B to purchase Program Obligations. The Series 55-C Bonds are being refunded by the Series 59 Bonds.

<sup>3</sup> The Agency issued the Series 57 Bonds in the amount of \$299,000,000 on February 27, 2025. The Agency expects to utilize all proceeds of the Series 57 Bonds available after the refunding of the Series 56 Bonds to purchase Program Obligations and pay related costs by December 1, 2025.

Note – The Agency issued \$60,000,000 of Home Ownership Revenue Bonds, Series 56 (Non-AMT) on October 15, 2024. The proceeds of the Series 57-A Bonds refunded the Series 56 Bonds on April 1, 2025.

Note – The Agency issued the Series 58 Bonds in the amount of \$299,000,000 on June 26, 2025. The Agency expects to utilize all proceeds of the Series 58 Bonds to purchase Program Obligations and pay related costs by May 1, 2026.

## Outstanding Auxiliary Obligations

### Interest Rate Swap Counterparties

The following table lists certain information concerning interest rate swap counterparties related to outstanding Bonds as of October 1, 2025.

<u>Bond Issue</u>	<u>Swap Counterparty</u>	<u>Swap Counterparty Rating<sup>(1)</sup> (Moody's/S&amp;P)</u>	<u>Maturity Date</u>	<u>Notional Amount Outstanding</u>	<u>Fixed Rate Paid</u>	<u>Rate Received<sup>(2)</sup></u>
Series 52-C	Bank of America, N.A.	Aa2/A+	7/1/2049	\$ 40,000,000	3.607%	70% of SOFR + 0.10%
Series 55-B	Royal Bank of Canada	Aa1/AA-	1/1/2050	80,000,000	2.817	65% of SOFR + 0.15%
Total .....				<u>\$120,000,000</u>		

<sup>(1)</sup> Moody's Swap Counterparty Rating refers to the Moody's Long Term Counterparty Risk Assessment rating.

<sup>(2)</sup> All SOFR rates are Daily USD-SOFR-COMPOUND.

The Agency has entered into an interest rate swap agreement with Wells Fargo Bank, N.A. to hedge the variable interest rate of the Series 59-B Bonds. Such interest rate swap agreement will become effective at the time of issuance of the Series 59 Bonds. The interest rate swap agreement will have a notional amount corresponding to the principal amount of the Series 59-B Bonds (initially \$99,000,000) and under its terms the Agency will pay fixed rate payments computed at the rate of 3.067% and will receive variable rate payments at a rate of 63% of SOFR plus .14% (the variable rate is intended to correspond to the variable interest rate on the Series 59-B Bonds). At present, the credit ratings of Wells Fargo Bank, N.A. with respect to the swap agreement from Moody's and S&P are Aa2 and A+, respectively.

### Liquidity Providers

The following table sets forth certain information relating to liquidity providers for variable interest rate Bonds issued and outstanding as of October 1, 2025.

<u>Bond Issue</u>	<u>Liquidity Provider</u>	<u>Liquidity Provider Rating (Moody's/S&amp;P)</u>	<u>Expiration Date</u>	<u>Bonds Outstanding</u>
Series 52-C	TD Bank, N.A.	A1/A+	11/21/2028	\$ 40,000,000
Series 55-B	TD Bank, N.A.	A1/A+	10/8/2029	80,000,000
Total .....				<u>\$120,000,000</u>

In connection with the Series 59-B Bonds, the Agency will enter into a Standby Bond Purchase Agreement with Royal Bank of Canada to provide liquidity support for the purchase of Series 59-B Bonds tendered for purchase under the variable interest rate features of the Series 59-B Bonds in the event such Series 59-B Bonds are not remarketed. The Standby Bond Purchase Agreement with Royal Bank of Canada will cover the principal amount of the Series 59-B Bonds (initially \$99,000,000) and has an expiration date of November 18, 2030. At present, the short-term and long-term credit ratings of Royal Bank of Canada from Moody's and S&P are P-1/Aa1 and A-1/AA-, respectively.

### The Series 59 Program Account and Program Securities

Program Obligations to be Purchased. Except as hereinafter provided, cash amounts deposited in the Series 59 Program Account pursuant to the Fifty-Ninth Supplemental Trust Agreement (whether derived from proceeds of the Series 55-C Bonds transferred to the Series 59 Program Account, proceeds of the Series 59 Bonds,

or the earnings from the investment of the Series 59 Program Account) shall be applied by the Agency solely to the purchase of Series 59 Program Securities or Series 59 DPA Loans and lender compensation associated with the Series 59 Securitized Mortgage Loans associated with the Program Securities. All Series 59 Program Securities purchased shall comply with the requirements for Ginnie Mae Certificates, Fannie Mae Certificates, Freddie Mac Certificates or UMBS Certificates, as the case may be, as set forth in the Fifty-Ninth Supplemental Trust Agreement. The Agency shall take such action as shall be necessary to assure that the Agency and its servicers comply with the requirements for Ginnie Mae Certificates, Fannie Mae Certificates, Freddie Mac Certificates or UMBS Certificates. The Agency shall identify Series 59 Program Obligations purchased with the proceeds of the Series 59 Bonds separate from Series 59 Program Obligations purchased from other amounts deposited to the Series 59 Program Account and trace the repayments and prepayments of each to the original source of funding.

Purchase of Program Loans. The Fifty-Ninth Supplemental Trust Agreement provides that the Agency may use the proceeds of the Series 59 Bonds to purchase Program Loans meeting the requirements of the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement, but at present the Agency does not intend to utilize the proceeds of the Series 59 Bonds for such purpose. No amounts deposited to the Series 59 Program Account shall be applied to purchase new Program Loans except Series 59 DPA Loans unless the Agency files with the Trustee a certificate indicating that arrangements are in place for the servicing of the Program Loans so purchased in accordance with the requirements of the Trust Agreement.

The Fifty-Ninth Supplemental Trust Agreement provides that amounts deposited to the Series 59 Principal/Special Redemption Account that are not required to be applied to pay principal or mandatory sinking fund redemption of Series 59 Bonds and are not required to be applied to the special redemption of the Series 59-A PAC Bonds, may be applied for a number of purposes, including to purchase additional Program Obligations. The requirements of the Fifty-Ninth Supplemental Trust Agreement for the purchase of Program Securities and Program Loans with the proceeds of the Series 59 Bonds also apply to the purchase of any additional Program Securities and Program Loans from these “recycled” principal payments.

Requirements for Program Securities and Program Loans. Appendix F hereto sets forth a discussion of the additional requirements of the Trust Agreement and the Supplemental Trust Agreements thereunder for Program Securities and also sets forth a discussion of the requirements of the Trust Agreement and Supplemental Trust Agreements thereunder for the Program Loans now held under the Trust Agreement and Program Securities purchased with the proceeds of the Series 59-B Bonds (other than Series 59 DPA Loans, which are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program). Appendix F also includes a summary of the major provisions of the insurance or guaranty programs providing additional security for the payment of Program Loans.

## FEDERAL TAX REQUIREMENTS

### General

The Series 59 Bonds are subject to the requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder (the “Federal Tax Requirements”). Pursuant to the Federal Tax Requirements, interest on “qualified mortgage bonds” is not includable in gross income for federal income tax purposes. Bonds are “qualified mortgage bonds” if all of the following requirements are met: (i) all proceeds of the issue exclusive of issuance costs and a reasonably required reserve fund are to be used to finance owner-occupied residences, (ii) the mortgages financed with the issue meet certain eligibility requirements, (iii) the yield that is earned by the issuer of the bonds from such mortgages does not exceed specified limitations and certain investment earnings derived from non-mortgage investments are paid to the United States, (iv) certain proceeds of the issue are available for financing housing located in “targeted areas” and (v) the use of proceeds of the bonds does not meet the private business tests of Sections 141(b)(1) and 141(b)(2) of the Code. In addition to the foregoing requirements, qualified mortgage bonds must meet certain other requirements relating to the issue itself.

Failure to meet the above requirements at any time during the term of the Series 59 Bonds could result in interest on the Series 59 Bonds being subject to federal income taxation as of the date of issuance. The Agency, however, has covenanted to comply with all such requirements. In addition, the Federal Tax Requirements

provide that certain requirements will be deemed to have been satisfied if certain steps are taken (see “Good Faith Effort” below).

## Eligibility Requirements

The new mortgage loans to be financed with the proceeds of the Series 59 Bonds (whether Series 59 Program Loans, Series 59 Securitized Mortgage Loans or the Series 59 DPA Loans), including proceeds of the Series 55-C Bonds transferred to the Series 59 Program Account, must meet the following eligibility requirements:

Residence Requirements. All residences for which owner financing is provided with the proceeds of the Series 59 Bonds must be single family residences located within the State, each of which can reasonably be expected to become the principal residence of the mortgagor within 60 days after the financing is provided. Each borrower is required to certify at the closing of the home mortgage loan that he or she intends to make the financed residence his principal residence within 60 days.

Absence of Prior Home Ownership. Except as described below, at least 95% of the proceeds of an issue, exclusive of a reasonably required reserve fund (“net proceeds”), must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence at any time during the three-year period prior to the date on which the mortgage is executed. The Agency requires the borrower to provide his or her federal income tax returns for the preceding three years for review for evidence of prior ownership of a principal residence or to certify that he or she was not required to file federal income tax returns for the preceding three years, and to certify at the closing of the home mortgage loan that he or she has not had a present ownership interest in a principal residence at any time within the preceding three years. The Code creates an exception from this requirement for mortgage loans for residences located in targeted areas as described below and for mortgage loans and home ownership by veterans (who have not previously received the benefit of mortgage loans as described in this sentence).

Purchase Price Limitations. The Code requires that the “acquisition cost” of each residence being financed may not exceed 90% (or 110% in the case of “targeted areas” as discussed below) of the “average area purchase price” applicable to such residence. The term “acquisition cost” is defined to mean the cost of acquiring a residence as a completed residential unit but does not include (i) usual and reasonable settlement or financing costs, (ii) the value of services performed by the mortgagor or members of his or her family in completing the residence, and (iii) the cost of land which has been owned by the mortgagor for at least two years before the date on which construction of a residence begins. For the purpose of this limitation, the term “average area purchase price” means, with respect to any residence, the average purchase price of single family residences in the Metropolitan Statistical Area (“MSA”) or non-MSA county in which the residence is located which were purchased during the most recent twelve-month period for which sufficient statistical information is available. The determination as to whether a residence meets the purchase price requirements must be made as of the date on which the Lender commits to make the Program Loan or, if earlier, the date of purchase of the residence.

First-time homebuyers may purchase new or existing homes at a current sale price limit of \$495,000 and still qualify for the Agency’s low-interest rate mortgage program. The current sales price limit is subject to change.

Income Restrictions. The Code requires that all financing provided by an issue of qualified mortgage bonds be provided to mortgagors whose family income is 115% or less of the applicable median family income. With respect to any financing provided for “targeted area” residences, as described below, one third of the amount of such financing may be made to mortgagors who do not satisfy this requirement if the remaining two-thirds of such “targeted area” financing is made to mortgagors whose family income is 140% or less of the applicable median family income. Under the Code, the above percentages for households consisting of less than three persons are reduced to 100% for “non-targeted areas” and 120% for “targeted areas,” respectively. For purposes of this income restriction, applicable median family income is the greater of the area median gross income for the area where the residence is located or the statewide median gross income. Each mortgagor is required to provide an affidavit that his or her family income does not exceed the applicable income limit. The applicable income restriction shall be the low or moderate income restriction of the Agency or the applicable median family income restriction of the Federal Tax Requirements, whichever is less.

New Program Loan Requirement. In order to comply with the Federal Tax Requirements, none of the proceeds of a bond issue may be used to acquire or replace existing mortgages (except for construction period loans and temporary financings with a term not to exceed 24 months). The Agency's review procedures are designed to meet these restrictions.

Program Loan Assumption Limitation. To meet the Federal Tax Requirements, each mortgage financed with the proceeds of a bond issue may be assumed only if the residence requirements, absence of prior home ownership, purchase price limitations and the income restrictions are met with respect to the mortgage assumption. The determinations as to compliance with these requirements are to be made as of the date on which the mortgage is being assumed. Accordingly, the Agency must make the required statistical study or otherwise determine (e.g., by reliance on "safe harbor" statistics published by the U.S. Treasury) the relevant average area purchase prices for each statistical area within the State on an annual basis, and must assure compliance with the other applicable Federal Tax Requirements as long as any Series 59 Bonds are outstanding.

The combination of the interest rate or rates and discount points of Series 59 Program Loans and Series 59 Program Securities shall be determined from time to time by the Agency and communicated to the Lenders. In establishing the interest rate or rates, the Agency shall assure that the "effective rate of interest" on the applicable Series 59 Program Obligations and Series 59 DPA Loans financed by the Series 59 Bonds are not a rate that would cause interest on the Series 59 Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation. In addition to the use of the Series 59 DPA Loans, the Chief Financial Officer is authorized to institute such procedures as may be necessary, including mortgage forgiveness, adjustments to mortgage interest rates and the payment to the federal government of yield reduction payments, to assure that the effective rate of interest on the applicable Series 59 Program Obligations and the Series 59 DPA Loans is in compliance with the Code. No part of the original proceeds of the Series 59 Bonds deposited in the Series 59 Program Account shall be used to acquire or replace existing Program Loans within the meaning of the Code. As necessary or convenient to obtain compliance with the requirements of the federal tax laws regarding the effective rate of interest on the Program Loans purchased with the proceeds of the Series 59 Bonds, the Chief Financial Officer is authorized to combine the proceeds of the Series 59 Bonds with the proceeds of other Series of Bonds issued by the Agency under the Trust Agreement and to direct the purchase of Program Loans meeting the requirements of the Trust Agreement from such combined sources of funds.

## **Requirements Related to Arbitrage**

In addition to the arbitrage requirements that apply to all tax-exempt bonds under Section 148 of the Code, the Agency must satisfy two additional arbitrage requirements. First, certain limitations are imposed upon the yield the Agency may receive from the Program Obligations. The Code and the Treasury regulations thereunder require that all fees, charges and other amounts borne by the mortgagor be taken into account in determining the yield on the Program Obligations. Accordingly, in computing the yield on the Program Obligations, the Agency takes into account all discount points paid by the seller and origination fees paid by the mortgagor. Since the Lenders are prohibited from charging any other fees and charges in excess of those which would be charged when owner financing is not provided through the use of tax-exempt bonds, the Agency does not have to take such other charges into account in such computation. In addition, the Agency has reserved the right to adjust the yield on the Program Loans should circumstances indicate that such an adjustment is necessary in order to comply with the arbitrage requirements. In addition, the Agency may make a "yield reduction payment" to the federal government that will reduce the yield on the portfolio of Program Obligations allocated to the Series 59 Bonds.

The second principal arbitrage requirement obligates the Agency to pay to the United States government amounts earned on non-mortgage investments in excess of the amounts which would have been earned on such investments if invested at a yield equivalent to the yield on the Series 59 Bonds, plus the earnings on such excess.

## **Other Requirements**

Application of Certain Payments. The Federal Tax Requirements provide that prepayments and repayments of principal on financing provided by an issue of "qualified mortgage bonds" such as the Series 59 Bonds must be used not later than the close of the first semiannual period beginning after the payment is received to redeem the bonds of that issue, provided that this requirement does not apply to amounts received within ten

years after the date of the issue, or in the case of a refunding bond, the date of issuance of the original bond (sometimes referred to as the “Ten Year Rule”).

Targeted Area Requirement. In order to comply with the Federal Tax Requirements, the Agency will, for at least one year after owner financing is first made available with respect to new mortgage loans financed with proceeds of the Series 59 Bonds, make available for mortgage loans in Targeted Areas within the State an amount equal to 20% of the proceeds of the Series 59 Bonds deposited in the Series 59 Program Account. The Agency’s efforts to place mortgage financing in Targeted Areas will include the Agency’s general advertising that mortgage funds are available for such areas.

Information Reporting Requirement. In addition to the information reporting requirement applicable to all tax-exempt obligations, issuers of qualified mortgage bonds must compile and submit to the Internal Revenue Service (the “Service”) for each year in which proceeds of a qualified mortgage bond issue are used to provide mortgages, a report containing information on each mortgagor, including information with respect to the eligibility requirements and other data pertaining to a mortgagor’s income.

Recapture of Portion of Federal Subsidy. The Code imposes a recapture provision (the “Recapture Provision”), which requires a payment to the United States from certain mortgagors of an amount determined to be the subsidy provided by a qualified mortgage upon disposition of the residence financed by the Program Loan. The Agency has established procedures to comply with the requirements imposed on it by the Recapture Provision. The Agency has also created a Recapture Tax Reimbursement Program for borrowers who receive first mortgage loans derived from mortgage revenue bond financing. Eligible borrowers will be reimbursed by the Agency for any Recapture Provision payment that they pay to the federal government after they have sold their home. The Agency estimates that its liability will be minimal.

## **Good Faith Effort**

An issue of qualified mortgage bonds that fails to meet the Eligibility Requirements will be treated as meeting all such requirements if:

- (i) the issuer in good faith attempted to meet such requirements before the mortgages were executed;
- (ii) 95% of the net proceeds devoted to owner-financing were devoted to residences with respect to which (at the time the mortgages were executed or assumed) all such requirements were met; and
- (iii) any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

Failure to meet one or more of the Eligibility Requirements can be corrected by either calling the non-qualifying mortgage or replacing it with a qualifying mortgage.

In determining whether the 95% requirement referred to in clause (ii) above is satisfied, the Treasury regulations provide that the Agency may rely on affidavits evidencing compliance from the mortgagors and sellers of residences and upon the examination by the Agency or its agents of the income tax returns filed by the mortgagors with the Internal Revenue Service for the preceding three years which indicate no prior home ownership during such period (or statements in the mortgagors affidavits that one or more of such returns were not required to have been filed).

The failure to meet the arbitrage and targeted area requirements will not affect the tax-exempt status of a qualified mortgage bond if:

- (i) the issuer in good faith attempted to meet all such requirements; and
- (ii) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with such requirements.

## **Agency Procedures**

In order to comply with the Federal Tax Requirements, the Agency has established procedures that include an approval process that must be completed before the Agency enters into a conditional commitment to purchase a Program Loan or a Program Security securitizing a mortgage loan, including the examination of affidavits to determine applicant eligibility and Lender compliance, and guidance and assistance to the Lenders.

The Agency will not purchase any Program Loan or a Program Security securitizing a mortgage loan until it has reviewed the documentation to verify compliance with the Federal Tax Requirements. As described above under “THE PROGRAM,” the Agency begins its review of the mortgage loan application after the Lender has processed and approved the loan application in accordance with applicable loan underwriting procedures. Once the Lender has completed its processing and has approved the mortgage loan, a submission package, which includes the loan application and the affidavits, is forwarded to the Agency.

The Agency will require that each submission package contain an affidavit from each mortgagor which represents and warrants, among other things (i) that he or she has not had a previous ownership interest in a principal residence within the preceding three years (the Code creates an exception from this requirement for mortgage loans in targeted areas and for mortgage loans and home ownership by veterans who have not previously benefitted by such mortgage loans); (ii) that he or she will occupy the premises as his or her principal residence within 60 days after the mortgage loan is made; (iii) that the residence is a completed residential unit which needs no alteration for normal occupancy; (iv) that no more than 15% of the property will be used for business purposes; and (v) that the statement of family income set forth in the application is true and complete. The Agency will also require each mortgagor to submit for inspection such mortgagor’s federal income tax returns for each of the three years preceding the origination of the mortgage loan or a certificate that the mortgagor was not required to file a federal income tax return during such period to verify the absence of prior home ownership during such period. The Agency will also require that each loan package contain an affidavit from the seller of the residence which evidences compliance with the purchase price limitations.

The Agency has published a Program Guide describing the compliance process each Lender must perform with respect to the Federal Tax Requirements. The Agency regularly holds training classes and has held conversations with mortgage lenders to explain the procedures designed to assure compliance.

Lenders will be required to make representations and warranties that certain Federal Tax Requirements have been met and to repurchase mortgage loans if misstatements or misrepresentations by any party in connection therewith adversely affect the loan’s eligibility for purchase under the Federal Tax Requirements.

## **OTHER AGENCY PROGRAMS AND INFORMATION REGARDING THE AGENCY**

### **Single Family Programs**

All Agency Programs involving the issuance of bonds to provide financing of home ownership are now carried out under the Trust Agreement.

### **Multifamily Programs**

In addition to its home ownership programs, the Agency has several programs to provide financing for residential rental housing for low and moderate income households.

The Agency administers the federal tax credit program along with other sources of state funds for qualifying rental production. These funds are available to developers, on a competitive basis, for the development of affordable rental housing in the State. The Agency’s goals include supporting the best developments possible given the limited resources available. Therefore, the Agency selects developments serving low-income residents for the longest period of time, at appropriate locations, with strong market demand, with the healthiest financial structures, the best architectural design and the best quality of building materials and workmanship. The Agency has administered this program since its inception in 1987 and has helped create over 2,600 projects comprising over 120,000 rental units, allocating approximately \$984 million of tax credits.

The Agency also provides “conduit” financing of residential rental developments from time to time as described below under “Other Activities.”

## **Other Activities**

The Agency established a mortgage credit certificate (“MCC”) program in July 1987. An MCC permits first-time homebuyers who meet federal limits for family income and acquisition costs to take a federal income tax credit of up to 30% of annual mortgage interest for existing homes and up to 50% for newly-constructed homes, up to a maximum credit of \$2,000 per year. As of June 30, 2025, the Agency had issued over 42,500 certificates under the MCC program totaling over \$4.8 billion in mortgages. The Agency plans to discontinue the MCC program by December 31, 2025 as part of an ongoing effort to preserve volume cap.

Since 1987 the General Assembly of North Carolina has provided appropriations for the North Carolina Housing Trust Fund to produce housing for low-income households by leveraging private, local government, and federal resources. The Agency manages the Trust Fund and pays its operating costs so that all appropriated funds go directly into housing construction and rehabilitation. The annual appropriation for the Trust Fund has varied over its history. Appropriations for fiscal year 2024 and 2025 were \$17.66 million per year, which included special allocations for housing for homeless veterans and victims of domestic violence, sexual assault, and human trafficking. The Agency has also received special allocations for certain disaster recovery efforts and the development of multifamily affordable housing units across the State. The annual appropriation for the Trust Fund does not affect the Agency’s operating budget.

The Agency provides additional financing assistance for some residential rental housing through the issuance of bonds of the Agency, the proceeds of which are loaned to residential rental housing developers to acquire or construct and equip and furnish residential rental housing facilities. These bond issues are “conduit” financings in which the Agency’s obligation for payment thereof is limited to the payment received from the third-party borrowers and the properties, revenues and the other security pledged to the payment of the bonds. The bonds are not secured by any funds or other assets that secure the payment of the Bonds issued under the Trust Agreement. As of June 30, 2025, the Agency had \$107,015,000 of conduit financing bonds outstanding.

The Agency may issue additional series of bonds under any of its programs, including the Program, and may adopt other programs under which bonds could be issued. The Agency’s ability to issue additional bonds to finance its programs is restricted by federal tax law.

## **Cybersecurity**

As increased threats persist to the cybersecurity of private companies and State and local governments and their Agencies nationwide, the Agency monitors Agency systems for any incidents or attempts to access protected systems and information. The Agency also has extensive information and system security policies to promote protection against cybersecurity threats. All employees are required to take cybersecurity training and the Agency has engaged outside consultants to test Agency systems and procedures for weaknesses against such threats. Policies and training material are reviewed at least annually by the Agency and revised if appropriate.

## **TAX TREATMENT**

### **Series 59-B Bonds**

Opinion of Bond Counsel. Certain federal tax requirements must be met subsequent to the initial issuance and delivery of the Series 59 Bonds in order that interest on such Bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Agency has established procedures in its Program Documents and the Fifty-Ninth Supplemental Trust Agreement to meet the Federal Tax Requirements. The Agency has also covenanted in the Fifty-Ninth Supplemental Trust Agreement to comply with the requirements of Sections 143 and 148 of the Code. Bond Counsel is of the opinion that the procedures established as of the date hereof in the Agency’s Program Documents and the Fifty-Ninth Supplemental Trust Agreement are sufficient, if followed, to comply with the Federal Tax Requirements. The Agency has also covenanted, in the Fifty-Ninth Supplemental Trust Agreement, to comply

with the regulations promulgated with respect to the rebate and other arbitrage requirements under Sections 143 and 148 of the Code. Failure to comply with such aforementioned covenants or to carry out the procedures set forth in the Program Documents may cause interest on the Series 59-B Bonds to become included in gross income for federal income tax purposes retroactive from their date of issue.

In the opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, as Bond Counsel, assuming that the Agency will carry out the aforementioned procedures set forth in the Program Documents and comply with the aforementioned covenants contained in the Fifty-Ninth Supplemental Trust Agreement, interest on the Series 59 Bonds is excluded from gross income for federal tax purposes and is not treated as a preference item for purposes of calculating the alternative minimum tax, however interest on the Series 59 Bonds held by certain corporations is included in the corporation's "adjusted financial statement of income" for purposes of computing the federal alternative minimum tax on such corporations. Bond Counsel is further of the opinion that interest on the Series 59 Bonds is exempt from all income taxes of the State of North Carolina.

Other Tax Consequences. Ownership or transfer of, or the accrual or receipt of interest on, the Series 59 Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Prospective purchasers of the Series 59 Bonds should consult their tax advisors as to any such possible collateral tax consequences. Except to the extent covered in their legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 59 Bonds.

Interest paid on tax-exempt obligations, such as the Series 59-B Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Series 59-B Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Series 59-B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients" and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Service.

## **FINANCIAL STATEMENTS**

The financial statements of the Agency as of and for the year ended June 30, 2025, included in this Official Statement as Appendix A have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned ratings of "Aa1/VMIG 1" and "AA+/A-1+" respectively, to the Series 59-B Bonds. Such ratings are not a recommendation to buy, sell or hold securities. Any desired explanation of the significance of such ratings should be obtained from Moody's and S&P, respectively. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely if, in the judgment of the rating

agency furnishing such rating, circumstances so warrant. Any suspension, downward revision or withdrawal of one or both of such ratings could have an adverse effect on the marketability or the market price of the Series 59-B Bonds. The Agency assumes no responsibility to take any actions with regard to possible rating changes.

## **LITIGATION**

At the time of the delivery of and payment for the Series 59-B Bonds, the Agency will certify that, to the best of its knowledge, 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 Series 59-B Bonds, or in any way contesting or affecting the validity of the Series 59 Bonds or any proceedings of the Agency 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 Series 59-B Bonds or the existence or powers of the Agency.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Series 59-B Bonds are subject to the approving opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, Bond Counsel to the Agency. Copies of the approving opinion of said law firm in substantially the form included herein as Appendix B will be available at the time of delivery of the Series 59 Bonds. Certain legal matters will be passed upon for the Agency by the General Counsel for the Agency and for the Underwriter by its counsel, Bode, PLLC, Raleigh, North Carolina.

## **LEGAL INVESTMENT**

The Act provides that the Series 59 Bonds shall be securities in which all public officers and public bodies of the State and its political subdivisions, and all North Carolina insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them.

## **UNDERWRITING**

RBC Capital Markets, LLC (the “Underwriter”), has agreed, subject to certain conditions, to purchase all of the Series 59-B Bonds at a price equal to the aggregate principal amount of the Series 59-B Bonds. The Underwriter will receive from the Agency a fee of approximately \$118,004.00. The initial public offering prices of the Series 59-B Bonds may be changed from time to time by the Underwriter.

RBC Capital Markets, LLC, the Underwriter of the Series 59-B Bonds, has entered into a distribution arrangement with its affiliate City National Securities, Inc. (“CNS”). As part of this arrangement, RBC Capital Markets, LLC may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBC Capital Markets, LLC may compensate CNS for its selling efforts with respect to the Series 59-B Bonds.

Royal Bank of Canada, the Liquidity Facility provider, is the parent company of the RBC Capital Markets, LLC, the Underwriter and Remarketing Agent.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Agency (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Agency. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or

instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **FINANCIAL ADVISOR**

Caine Mitter & Associates Incorporated has served as financial advisor (the “Financial Advisor”) to the Agency with respect to the Series 59-B Bonds and, in such capacity, has provided the Agency with cash flow projections and other quantitative analyses reflecting the structure of the Series 59-B Bonds.

The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 59-B Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings. Caine Mitter & Associates Incorporated has registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

## **CONTINUING DISCLOSURE**

Pursuant to the Fifty-Ninth Supplemental Trust Agreement, the Agency hereby undertakes, for the benefit of the beneficial owners of the Series 59-B Bonds, to provide to the Municipal Securities Rulemaking Board (“MSRB”):

- (a) by not later than seven months from the end of each fiscal year of the Agency, audited financial statements of the Agency prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Agency are not available by seven months from the end of such fiscal year, unaudited financial statements of the Agency to be replaced subsequently by audited financial statements of the Agency to be delivered within fifteen (15) days after such audited financial statements become available for distribution;
- (b) concurrently with the delivery of the audited financial statements referred to in (a) above, the most recent financial and statistical data available to the Agency as of a date not earlier than the end of the preceding fiscal year, for the type of information included in the tables labeled “Bonds Payable” and “Program Obligations” under the heading “THE PROGRAM—Experience to Date Under the Program” in this Official Statement;
- (c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 59-B Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (5) substitution of any credit or liquidity providers, or their failure to perform;
  - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5901-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
  - (7) modification to the rights of the beneficial owners of the Series 59-B Bonds;

- (8) bond calls, other than calls for mandatory sinking fund redemption, if material, and tender offers;
- (9) defeasance of any of the Series 59-B Bonds;
- (10) release, substitution or sale of any property securing repayment of the Series 59 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Agency;
- (13) the consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation (as defined below) of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the Agency, any of which affect beneficial owners of the Series 59-B Bonds, if material;
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Agency, any of which reflect financial difficulties; and

(d) in a timely manner, notice of a failure of the Agency to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Agency shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

For the purposes of this Section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934 (“Rule 15c2-12”).

The Agency may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

The Agency reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Agency, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Agency;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners of the Series 59-B Bonds, as determined by the Trustee or bond counsel to the Agency, or by approving vote of the Owners of a majority in principal amount of the Series 59-B Bonds pursuant to the terms of the Trust Agreement at the time of the amendment.

In the event that the Agency makes such a modification, the annual financial information containing the modified operating data or financial information shall explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The continuing disclosure provisions of the Fifty-Ninth Supplemental Trust Agreement shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest with respect to all of the Series 59-B Bonds.

In the event of a failure of the Agency to comply with any provision of the covenant set forth above, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Series 59-B Bonds, shall), or any beneficial owner of the Series 59-B Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with the continuing disclosure provisions of the Fifty-Ninth Supplemental Trust Agreement. However, a default with respect to the continuing disclosure provisions of the Fifty-Ninth Supplemental Trust Agreement shall not be deemed an Event of Default under the Trust Agreement, and the remedy in the event of any failure of the Agency to comply with the continuing disclosure provisions of the Fifty-Ninth Supplemental Trust Agreement shall be the actions referred to above.

The Agency has not failed in any material respect to file any information required to be provided by any undertaking previously made by the Agency pursuant to the requirements of Rule 15c2-12 in the last five years.

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series 59-B Bonds.

**NORTH CAROLINA HOUSING FINANCE AGENCY**

By: /s/ Brett A. Warner

Chief Financial Officer

The interest rates, maturities, sale price and manner of sale of the Series 59 Bonds have been determined, with the approval of the North Carolina Housing Finance Agency and the Local Government Commission of the State of North Carolina.

By: /s/ Jennifer Wimmer

Deputy Secretary of the Local Government Commission  
of North Carolina

Dated: October 29, 2025

## **APPENDIX A**

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**FINANCIAL STATEMENTS  
OF THE AGENCY**

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NORTH CAROLINA HOUSING FINANCE AGENCY

Audited Financial Statements for  
the Year Ended June 30, 2025

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# Audited Financial Statements

June 30, 2025

**NORTH CAROLINA HOUSING FINANCE AGENCY  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2025**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**June 30, 2025**

The management's discussion and analysis of the North Carolina Housing Finance Agency's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2025. The financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

## **Overview**

The North Carolina Housing Finance Agency (Agency) was created in 1973 to provide financing for residential housing, both ownership and rental, to North Carolina households with low and moderate incomes. The Agency issues bonds and sells mortgage-backed securities (MBS) on the secondary market to finance housing throughout the State of North Carolina (State). In addition, the Agency administers the funding for Section 8 Project-Based Contract Administration (Section 8 PBCA), the HOME Investment Partnerships Program (HOME), the Low-Income Housing Tax Credits (LIHTC), the North Carolina Housing Trust Fund (HTF), the Workforce Housing Loan Program (WHLP), the National Housing Trust Fund (NHTF) and other federal and state programs. The Agency uses these funds to provide different types of assistance such as down payment assistance, low-interest mortgage loans, foreclosure prevention counseling, rent subsidies, and various types of rehabilitation of both single and multifamily properties.

## **Financial Highlights**

The following information is an analysis of the Agency's performance for the year ended June 30, 2025, compared to the prior fiscal year's results and activities:

- *Total Assets* increased \$1,120,905,000, or 30.3%
- *Deferred Outflows of Resources* increased \$1,454,000, or 14.5%
- *Total Liabilities* increased \$997,598,000, or 35.1%
- *Deferred Inflows of Resources* increased \$1,961,000, or 49.7%
- *Total Net Position* increased \$122,800,000, or 14.3%

The Agency issued bonds in fiscal year 2025 to finance a portion of its NC Home Advantage Mortgage (HomeAd) loans, which were securitized into MBS. The Agency also issued variable rate debt during the fiscal year as a component of Series 55 and entered into a new interest rate swap on the associated debt. In conjunction with the issuances of Series 55 and 56, the Agency purchased two State and Local Government Series investments, one of which matured during the fiscal year. These transactions caused increases in *Bonds payable, net, Investments*, and the other related accounts shown below, with a decrease only in *Nonfederal program expense* due to a reduced volume of new loans with down payment assistance relative to fiscal year 2024.

- *Bonds payable, net* increased \$967,712,000, or 35.4%
- *Accrued interest payable* increased \$20,960,000, or 44.7%
- *Interest on bonds* increased \$43,102,000, or 55.7%
- *Investments* increased \$968,092,000, or 43.6%
- *Interest on investments* increased \$54,974,000, or 41.5%
- *Accrued interest receivable on investments* increased \$4,530,000, or 39.4%
- *Net increase (decrease) in fair value of investments* increased \$71,414,000 or 787.5%
- *Hedging derivatives asset* increased \$3,362,000, or 100.0%
- *Accumulated increase in fair value of hedging derivative* increased \$3,362,000, or 100.0%

- *Nonfederal program expense* decreased \$9,521,000, or 11.9%

In 2013, the Agency shifted from offering mortgages under the FirstHome program, in which the Agency owns the mortgage loan, to utilizing the HomeAd program, in which mortgage loans are pooled into MBS. As a result, the portfolio of mortgage loans in the FirstHome program continues to decline from repayments, causing a decrease in *Mortgage loans receivable, net*, of \$16,086,000, or 5.6%, and *Accrued interest receivable on mortgage loans* of \$133,000, or 11.6%. The decrease in *Mortgage loans receivable, net*, was partially offset by an increase in new Carryover Loan Pool loans during the fiscal year.

During the fiscal year, the Agency was appropriated approximately \$59 million in remaining COVID-era ERA2 funds that were previously awarded to the North Carolina Pandemic Recovery Office (NCPRO). The federal funds were sent to the HTF, which is administered by the Agency. The receipt and disbursement of these funds, as well as the winddown of the NC Homeowner Assistance Fund, contributed to the increases and decreases in the accounts below:

- *Other assets* decreased \$2,919,000, or 39.2%
- *Unearned revenues* increased \$5,727,000, or 22.2%
- *Federal program awards received* decreased \$42,673,000, or 13.3%
- *Nonfederal program awards received* increased \$8,935,000, or 100.0%
- *Federal program expense* decreased \$60,481,000, or 17.9%
- *General and administrative expense* decreased \$4,412,000, or 12.0%

While *State appropriations received* in fiscal year 2025 remained consistent with fiscal year 2024, *State grants received* increased by \$12,844,000, or 29.8% due to an increase in the Agency's contract amounts with the NC Department of Health and Human Service (DHHS). *State program expense* decreased by \$68,305,000, or 38.7% due to the decrease in WHLP appropriations since fiscal year 2023, resulting in fewer loans disbursed in fiscal year 2025.

The Agency is required to reflect its proportionate share of the State's pension liability and postemployment benefits, which are based on actuarial assumptions. The effect of these transactions is listed below:

- *Deferred outflows for pensions* decreased \$1,459,000, or 23.6%
- *Deferred outflows for other postemployment benefits* increased \$2,757,000, or 79.6%
- *Pension liability* decreased \$832,000, or 8.6%
- *Other postemployment benefits* increased \$4,078,000, or 30.5%
- *Deferred inflows for pensions* decreased \$45,000, or 63.4%
- *Deferred inflows for other postemployment benefits* decreased \$1,356,000, or 35.0%

The net effect of the transactions detailed above, along with regular operations of the Agency, resulted in an increase in *Total Net Position* of \$122,800,000, or 14.3%. The primary driver of the change in net position is related to increases in investments and related accounts, combined with decreases in federal, nonfederal and state program disbursements as described above. The Agency continues to proactively manage its programs to further its mission of creating affordable housing for North Carolinians with low and moderate incomes.

## Financial Analysis

The following tables summarize the changes in net position between June 30, 2025 and June 30, 2024 (*in thousands*):

	<b>2025</b>	<b>2024</b>	<b>Change</b>	<b>%</b>
<b>Condensed Statements of Net Position</b>				
<b>Assets*</b>				
Cash and cash equivalents	\$ 1,330,725	\$ 1,157,436	\$ 173,289	15.0
Investments	3,185,956	2,217,864	968,092	43.6
Accrued interest receivable on investments	16,041	11,511	4,530	39.4
Mortgage loans receivable, net	271,479	287,565	(16,086)	(5.6)
Mortgage loans held for sale	548	9,656	(9,108)	(94.3)
Hedging derivatives asset	3,362	-	3,362	100.0
Accrued interest receivable on mortgage loans	1,010	1,143	(133)	(11.6)
State receivables	821	159	662	416.4
Capital assets, net	1,478	2,262	(784)	(34.7)
Other assets, net	4,530	7,449	(2,919)	(39.2)
<b>Total Assets</b>	<b>\$ 4,815,950</b>	<b>\$ 3,695,045</b>	<b>\$ 1,120,905</b>	<b>30.3</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows for pensions	\$ 4,716	\$ 6,175	\$ (1,459)	(23.6)
Deferred outflows for other postemployment benefits	6,220	3,463	2,757	79.6
Accumulated decrease in fair value of hedging derivative	547	391	156	39.9
<b>Total Deferred Outflows of Resources</b>	<b>\$ 11,483</b>	<b>\$ 10,029</b>	<b>\$ 1,454</b>	<b>14.5</b>
<b>Liabilities*</b>				
Bonds payable, net	\$ 3,703,161	\$ 2,735,449	\$ 967,712	35.4
Accrued interest payable	67,890	46,930	20,960	44.7
Accounts payable	3,286	3,747	(461)	(12.3)
Hedging derivatives liability	547	391	156	39.9
Unearned revenues	31,470	25,743	5,727	22.2
Pension liability	8,828	9,660	(832)	(8.6)
Other postemployment benefits	17,443	13,365	4,078	30.5
Lease liabilities	1,438	2,113	(675)	(31.9)
Other liabilities	7,672	6,739	933	13.8
<b>Total Liabilities</b>	<b>\$ 3,841,735</b>	<b>\$ 2,844,137</b>	<b>\$ 997,598</b>	<b>35.1</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows for pensions	\$ 26	\$ 71	\$ (45)	(63.4)
Deferred inflows for other postemployment benefits	2,517	3,873	(1,356)	(35.0)
Accumulated increase in fair value of hedging derivative	3,362	-	3,362	100.0
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,905</b>	<b>\$ 3,944</b>	<b>\$ 1,961</b>	<b>49.7</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 1,478	\$ 2,262	\$ (784)	(34.7)
Restricted net position	795,098	694,798	100,300	14.4
Unrestricted net position	183,217	159,933	23,284	14.6
<b>Total Net Position</b>	<b>\$ 979,793</b>	<b>\$ 856,993</b>	<b>\$ 122,800</b>	<b>14.3</b>

\*For information on current and noncurrent statement of net position items, please see the audited Statement of Net Position in the accompanying financial statements.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>2025</u></b>	<b><u>2024</u></b>	<b><u>Change</u></b>	<b><u>%</u></b>
<b>Operating Revenues</b>				
Interest on investments	\$ 187,306	\$ 132,332	\$ 54,974	41.5
Net increase (decrease) in fair value of investments	62,345	(9,069)	71,414	787.5
Interest on mortgage loans	11,648	13,396	(1,748)	(13.0)
Federal program awards received	277,714	320,387	(42,673)	(13.3)
Nonfederal program awards received	8,935	-	8,935	100.0
Program income/fees	73,922	73,740	182	0.2
Other revenues	281	1	280	
<b>Total Operating Revenues</b>	<b>\$ 622,151</b>	<b>\$ 530,787</b>	<b>\$ 91,364</b>	<b>17.2</b>
<b>Operating Expenses</b>				
Interest on bonds	\$ 120,541	\$ 77,439	\$ 43,102	55.7
Lease interest expense	40	38	2	5.3
Mortgage servicing expense	618	716	(98)	(13.7)
Federal program expense	277,279	337,760	(60,481)	(17.9)
Nonfederal program expense	70,380	79,901	(9,521)	(11.9)
General and administrative expense	32,419	36,831	(4,412)	(12.0)
Other expenses	1,366	441	925	209.8
<b>Total Operating Expenses</b>	<b>\$ 502,643</b>	<b>\$ 533,126</b>	<b>\$ (30,483)</b>	<b>(5.7)</b>
<b>Operating Income (Loss)</b>	<b>\$ 119,508</b>	<b>\$ (2,339)</b>	<b>\$ 121,847</b>	<b>5,209.4</b>
<b>Non-Operating Revenues (Expenses)</b>				
State appropriations received	\$ 55,660	\$ 55,660	\$ -	0.0
State grants received	55,999	43,155	12,844	29.8
Noncapital contributions	6	18	(12)	(66.7)
State program expense	(108,373)	(176,678)	68,305	(38.7)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 3,292</b>	<b>\$ (77,845)</b>	<b>\$ 81,137</b>	<b>104.2</b>
<b>Change in Net Position</b>	<b>\$ 122,800</b>	<b>\$ (80,184)</b>	<b>\$ 202,984</b>	<b>253.1</b>
<b>Total Net Position - Beginning</b>	<b>\$ 856,993</b>	<b>\$ 937,177</b>	<b>\$ (80,184)</b>	<b>(8.6)</b>
<b>Total Net Position - Ending</b>	<b>\$ 979,793</b>	<b>\$ 856,993</b>	<b>\$ 122,800</b>	<b>14.3</b>

**New Business**

The state's biennium budget for fiscal years 2024 and 2025 was approved on October 3, 2023 and included recurring appropriations for the Agency of \$7.66 million for HTF and \$3 million for HOME Match, along with non-recurring appropriations for both fiscal years of \$35 million for WHLP, and an additional \$10 million for HTF to provide housing for homeless veterans and victims of domestic violence, sexual assault, and human trafficking.

The US Department of Treasury established the ERA2 program to provide financial support to deliver housing stability for eligible renters throughout the COVID-19 pandemic. ERA2 was funded through the American Rescue Plan Act of 2021 and offered financial assistance and housing stability services, and to cover costs for other affordable rental housing and eviction prevention activities. The NC Office of State Budget and Management designated NCPRO to accept and administer funds. During fiscal year 2025, approximately \$59 million of remaining ERA2 funds were appropriated to the HTF administered by the Agency, who began disbursing funds during the year.

**Debt Administration**

The Agency issued taxable and tax-exempt bonds in fiscal year 2025 to finance a portion of its HomeAd production. The Series 55 tax-exempt bond issuance closed in October 2024 for a total of \$500,000,000 par plus a net premium of \$11,832,000. The issuance included a \$200,000,000 convertible option bond with a

mandatory tender in January 2026 and \$80,000,000 of variable rate debt. The Series 56 tax-exempt bond issuance also closed in October 2024 for \$60,000,000. This series was issued as a convertible option bond with a mandatory tender in July 2025. The bonds were called in April 2025. The Series 57 bond issuance closed in February 2025 for a total of \$299,000,000 par plus a premium of \$12,155,000. The issuance contained a tax-exempt amount of \$92,500,000, and a taxable amount of \$206,500,000. The Series 58 bond issuance closed in June 2025 for a total of \$299,000,000 par plus a premium of \$11,121,000. The issuance contained a tax-exempt amount of \$92,445,000, and a taxable amount of \$206,555,000. Proceeds have been used to finance production of both the Agency's first mortgage purchases and the NC 1<sup>st</sup> Home Advantage Down Payment Assistance.

In fiscal year 2025, the Agency had biannual debt service payments totaling \$211,890,000. In conjunction with the October 2024 issuance of Series 55 bonds, the Agency entered into a new interest rate swap for \$80,000,000 to hedge its variable rate debt issued at that time. Detailed information concerning the swap is discussed in Note E, "Derivative Instrument – Interest Rate Swap."

The Agency issued conduit multifamily mortgage revenue bonds of \$15,200,000 in August 2024 for the acquisition and renovation of 14 affordable apartment properties in rural communities across North Carolina. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment.

## **Programs and Activities**

The Agency's mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians. The Agency focuses its efforts on providing assistance to borrowers purchasing a home, financing affordable rental housing, and helping homeowners who are facing foreclosure or living in substandard housing.

For the year ended June 30, 2025, the Agency recorded expenditures of \$298,656,000 in federal funds for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- Rental Production Program (RPP)
- Rental Production Program – Disaster Recovery (RPP-DR)
- Section 8 Project-Based Contract Administration (Section 8 PBCA)
- Self-Help Loan Pool (SHLP)

For the year ended June 30, 2025, the Agency recorded expenditures of \$108,319,000 in State funds for the following programs:

- Community Partners Loan Pool (CPLP)
- Displacement Prevention Partnership (DPP)
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery (ESFRLP-DR)
- Housing Services (HS)
- Key Rental Assistance (Key)
- Rental Production Program (RPP)
- Supportive Housing Development Program (SHDP)
- Transitions to Community Living Voucher (TCLV)
- Urgent Repair Program (URP)
- Workforce Housing Loan Program (WHLP)

For the year ended June 30, 2025, the Agency recorded expenditures of \$1,306,545,000 from other funding sources for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Construction Training Partnership (CTP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- NC Home Advantage Mortgage (HomeAd)
- NC 1st Home Advantage Down Payment Assistance (1st Home DPA)
- Rental Production Program (RPP)
- State Home Foreclosure Prevention Project (SHFPP)
- Urgent Repair Program (URP)

For the year ended June 30, 2025, the Agency made awards of \$368,007,000 for the following programs:

- Low-Income Housing Tax Credit (LIHTC)
- NC Home Advantage Tax Credit (MCC)
- NC Home Advantage Mortgage (HomeAd)

All major programs for which the Agency recorded expenditures or made awards in the year ended June 30, 2025 are described in the section below:

Home Ownership Programs The Agency offers low-cost mortgages, down payment assistance and mortgage credit certificates (MCCs) for qualified buyers through the following programs:

- Community Partners Loan Pool provides down payment assistance to qualifying homebuyers purchasing a home through local governments and nonprofits. Homebuyers are offered interest-free, deferred second mortgages up to 25% of the purchase price when combined with a HomeAd mortgage or up to 10% when combined with a USDA Section 502 loan.
- NC Home Advantage Mortgage provides affordable mortgage options and forgivable down payment assistance to first-time and move-up homebuyers. Borrowers are offered 30-year fixed rate mortgages and 15-year deferred, forgivable second mortgages of 3% of the first mortgage amount.
- NC 1<sup>st</sup> Home Advantage Down Payment Assistance program provides another down payment assistance option for qualifying veterans and first-time homebuyers. This comes in the form of a \$15,000 deferred forgivable 15-year second mortgage.
- NC Home Advantage Tax Credit helps qualifying veterans and first-time homebuyers increase their mortgage affordability by providing MCCs. MCCs are federal tax credits that reduce tax liability annually by up to 30% of mortgage interest for existing homes or up to 50% for new construction, each with a maximum credit of \$2,000 annually.
- Self-Help Loan Pool provides affordable mortgage assistance to qualified homebuyers purchasing homes through nonprofit Self-Help Housing loan pool members. Homebuyers are offered interest-free amortizing loans in combination with SHLP nonprofit member financing.

Housing Preservation Programs The Agency partners with local governments, nonprofits and regional councils to finance the rehabilitation of substandard owner-occupied homes to prevent displacement through the following programs:

- Displacement Prevention Partnership offers interest-free, deferred, forgiven loans through the North Carolina Division of Vocational Rehabilitation and Independent Living Offices to repair or improve home accessibility for qualifying homeowners with mobility issues. Homeowners who are disabled earning up

to 50% of area median income are eligible for these loans.

- Essential Single-Family Rehabilitation Loan Pool provides essential and critical home rehabilitation for qualifying homeowners. Funds are provided to partners in the form of interest-free, deferred, forgiven loans. The program benefits homeowners earning up to 80% of area median income with full-time household members who are elderly, disabled, qualified veterans and/or children under the age of six years old frequently present in a home with lead hazards.
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery program provides interest-free, deferred, forgiven loans to eligible homeowners to provide essential rehabilitations in response to damage from Hurricane Matthew and Tropical Storms Julia and Hermine. Homeowners earning up to 100% of area median income whose homes were affected by these storms in the counties listed in the Disaster Recovery Act of 2016 are eligible for loans for rehabilitation.
- Urgent Repair Program provides interest-free, deferred, forgiven loans to assist qualifying homeowners with emergency repairs and modifications that address imminent threats to health or safety. Homeowners who are elderly, special needs, veterans or disabled earning up to 50% of area median income are eligible.

Foreclosure Prevention Programs The Agency provides foreclosure prevention services in partnership with housing counseling organizations approved by the US Department of Housing and Urban Development (HUD) through various programs, including the following:

- State Home Foreclosure Prevention Project provides free housing counseling and legal assistance to homeowners facing foreclosure. These services are funded through foreclosure filing fees, which are paid by servicers of North Carolina home loans.

Rental Development Programs The Agency finances affordable homes and apartments developed by local governments, nonprofits and private developers through various programs, including the following:

- Carryover Loan Program provides financing for the acquisition of land for 9% new construction tax credit properties.
- Low-Income Housing Tax Credit provides eligible rental developers with financing necessary to develop and substantially rehabilitate affordable rental housing in the State. The tax credit reduces the investors' federal tax liability by up to 9% of the eligible project cost each year for 10 years, and participation in the program ensures the creation and/or preservation of affordable rental housing for households earning up to 80% of the area median income.
- Rental Production Program provides long-term financing for tax credit developments. Amortizing or deferred loans are available up to 20 years.
- Rental Production Program – Disaster Recovery provides loans to fund construction of affordable rental developments in counties with a federally-declared disaster designation due to Hurricane Florence in 2018 and Hurricane Matthew in 2016.
- Workforce Housing Loan Program provides long-term financing for tax credit developments. Assistance is available in the form of 30-year balloon loans for a percentage of development costs based on income designations for each county.

Rental Assistance Programs The Agency administers rent assistance contracts for privately owned apartments or intermediaries through the following programs:

- Key Rental Assistance provides rental assistance for low-income persons with disabilities, including those experiencing homelessness. The Agency is responsible for executing agreements with property owners, reviewing income eligibility documentation at move-in and recertification periods, making rental assistance payments to owners and projecting costs of the program. The Agency partners with DHHS

in administering this program.

- Section 8 Project-Based Contract Administration rental assistance projects are administered by the Agency for certain project-based Section 8 Housing Assistance Payment contracts on behalf of HUD. The Agency partners with NC Quadel Consulting Corporation to manage the contract administration duties.
- Transition to Community Living Voucher was established to create an efficient and effective state housing administration system to allow people with certain disabilities to successfully live in the communities of their choice. The Agency supports Local Management Entities/Managed Care Organizations in administering vouchers through the development and maintenance of a secure electronic funds management and document collection system, reviewing payment requests for compliance and disbursing funds accordingly. The Agency partners with DHHS in administering this program.

Supportive Housing Programs The Agency finances the development of supportive housing for North Carolinians through its partners across the State:

- Supportive Housing Development Program provides amortizing or deferred loans to local governments, nonprofits and regional councils to finance the production of emergency and permanent supportive housing. This program benefits people earning up to 50% of the area median income who have supportive housing needs or are experiencing homelessness.

## **Additional Information**

This discussion and analysis is intended to provide additional information regarding the activities of the North Carolina Housing Finance Agency. If you have questions about the report or need additional financial information, contact Brett Warner, Chief Financial Officer, North Carolina Housing Finance Agency, 3508 Bush Street, Raleigh, North Carolina 27609, (919) 981-2519, [bawarner@nchfa.com](mailto:bawarner@nchfa.com), or visit the Agency's website at [www.nchfa.com](http://www.nchfa.com).

## Independent Auditor's Report

The Board of Directors  
North Carolina Housing Finance Agency

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities of the North Carolina Housing Finance Agency (the Agency), a public agency component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025 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 solely 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 effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*BDO USA, P.C.*

September 22, 2025

# NORTH CAROLINA HOUSING FINANCE AGENCY

## STATEMENT OF NET POSITION

AS OF JUNE 30, 2025

(in thousands)

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 193,024
Restricted cash and cash equivalents	1,137,701
Restricted investments	200,599
Accrued interest receivable on investments	16,041
Mortgage loans receivable, net	51,090
Mortgage loans held for sale	548
Accrued interest receivable on mortgage loans	1,010
State receivables	821
Other assets	4,513
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,605,347</b>

#### Noncurrent assets:

Restricted investments	\$ 2,985,357
Mortgage loans receivable, net	220,389
Hedging derivatives asset	3,362
Capital assets, net	1,478
Other assets, net	17
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 3,210,603</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,815,950</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$ 4,716
Deferred outflows for other postemployment benefits	6,220
Accumulated decrease in fair value of hedging derivatives	547
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 11,483</b>

### LIABILITIES

#### Current liabilities:

Bonds payable	\$ 61,895
Accrued interest payable	67,890
Accounts payable	3,286
Unearned revenues	4,877
Lease liabilities	644
Other liabilities	1,486
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 140,078</b>

#### Noncurrent liabilities:

Bonds payable, net	\$ 3,641,266
Hedging derivatives liability	547
Unearned revenues	26,593
Pension liability	8,828
Other postemployment benefits	17,443
Lease liabilities	794
Other liabilities	6,186
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ 3,701,657</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 3,841,735</b>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows for pensions	\$ 26
Deferred inflows for other postemployment benefits	2,517
Accumulated increase in fair value of hedging derivatives	3,362
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 5,905</b>

### NET POSITION

Net investment in capital assets	\$ 1,478
Restricted net position	795,098
Unrestricted net position	183,217
<b>TOTAL NET POSITION</b>	<b>\$ 979,793</b>

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

# NORTH CAROLINA HOUSING FINANCE AGENCY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

(in thousands)

### OPERATING REVENUES

Interest on investments	\$ 187,306
Net increase (decrease) in fair value of investments	62,345
Interest on mortgage loans	11,648
Federal program awards received	277,714
Nonfederal program awards received	8,935
Program income/fees	73,922
Other revenues	281
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 622,151</b>

### OPERATING EXPENSES

Interest on bonds	\$ 120,541
Lease interest expense	40
Mortgage servicing expense	618
Federal program expense	277,279
Nonfederal program expense	70,380
General and administrative expense	32,419
Other expenses	1,366
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 502,643</b>

### OPERATING INCOME (LOSS)

<b>OPERATING INCOME (LOSS)</b>	<b>\$ 119,508</b>
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### NON-OPERATING REVENUES (EXPENSES)

State appropriations received	\$ 55,660
State grants received	55,999
Noncapital contributions	6
State program expense	(108,373)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ 3,292</b>

### CHANGE IN NET POSITION

<b>TOTAL NET POSITION - BEGINNING</b>	<b>\$ 856,993</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 979,793</b>

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

# NORTH CAROLINA HOUSING FINANCE AGENCY

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

(in thousands)

**Cash flows from operating activities:**

Interest on mortgage loans	\$ 11,712
Principal payments on mortgage loans	33,487
Purchase of mortgage loans	(18,757)
Sale of mortgage loans held for sale	275,323
Purchase of mortgage loans held for sale	(266,215)
Federal program awards received	280,525
Nonfederal program awards received	8,935
Federal program expense	(276,122)
Nonfederal program expense	(70,380)
Federal grant administration income	9,686
Program income/fees	70,181
Other expenses	(35,925)
Other revenues	2,387
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 24,837</b>

**Cash flows from non-capital financing activities:**

Issuance of bonds	\$ 1,158,000
Principal repayments on bonds	(211,890)
Interest paid on bonds	(71,158)
Bond issuance costs paid	(6,822)
State appropriations received	55,660
State grants received	55,999
State program expense	(108,373)
Noncapital contributions	6
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>\$ 871,422</b>

**Cash flows from investing activities:**

Proceeds from sales or maturities of investments	\$ 325,644
Purchase of investments	(1,231,390)
Earnings on investments	182,776
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (722,970)</b>

Net increase (decrease) in cash and cash equivalents, unrestricted and restricted

Cash and cash equivalents, unrestricted and restricted, at beginning of year

**Cash and cash equivalents, unrestricted and restricted, at end of year**

\$ 173,289

1,157,436

**\$ 1,330,725**

**Reconciliation of operating income (loss) to net cash**

**provided by (used in) operating activities:**

Operating income (loss) \$ 119,508

**Adjustments to reconcile operating income (loss) to net cash**

**provided by (used in) operating activities:**

Interest on investments	(187,306)
Decrease (increase) in fair value of investments	(62,345)
Interest on bonds	120,541

**Change in operating assets and liabilities:**

Decrease (increase) in mortgage loans receivable	16,086
Decrease (increase) in mortgage loans held for sale	9,108
Decrease (increase) in accrued interest receivable on mortgage loans	133
Decrease (increase) in other assets	2,790
Decrease (increase) in deferred outflows of resources	(1,454)
Increase (decrease) in accounts payable and other liabilities	88
Increase (decrease) in deferred inflows of resources	1,961
Increase (decrease) in unearned revenues	5,727
<b>Total adjustments</b>	<b>\$ (94,671)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 24,837</b>

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

# NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

## A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Authorizing Legislation** The North Carolina Housing Finance Agency (Agency) is a public agency and component unit of the State of North Carolina (State). The accompanying financial statements represent the financial position of the Agency only. The Agency was created to provide financing for housing to residents of the State with low and moderate incomes. Pursuant to its enabling legislation, the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of \$12 billion. The debt obligations of the Agency do not constitute a debt, grant, or line of credit of the State, and the State is not liable for the repayment of such obligations.

**Basis of Presentation** The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local government entities.

**Measurement Focus and Basis of Accounting** The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

**Programs** The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. The Agency's primary programs are summarized below:

**Agency Programs** Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Among the most active programs are the federal Low-Income Housing Tax Credit (LIHTC) program and the State Home Foreclosure Prevention Project (SHFPP). The Agency administers LIHTC for the State, evaluating applications for the tax credits and monitoring the rental properties for the compliance period to ensure that they meet federal program requirements, among other responsibilities. The Agency earns fees related to the applications and monitoring of LIHTC properties.

In 2008, the State authorized the formation of SHFPP in response to the foreclosure crisis. State statute requires that all parties who wish to initiate a foreclosure against a home in North Carolina remit a \$75 fee to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners at risk of foreclosure. Any excess funds are allocated to the North Carolina Housing Trust Fund (HTF) annually.

**Housing Trust Fund Programs** The North Carolina Housing Trust and Oil Overcharge Act created the HTF and the North Carolina Housing Partnership (Housing Partnership). The purpose of the HTF is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy for the operation of several programs within the HTF. The Agency staff provides services to the Housing Partnership and administers the HTF programs. State appropriations are reported in *Non-Operating Revenues (Expenses)* in the accompanying financial statements, and include a recurring appropriation that is used to make loans and grants under the HTF programs and a nonrecurring appropriation for the Workforce Housing Loan Program. The Agency also received nonrecurring appropriations in fiscal year

2025 to provide housing for homeless veterans and victims of domestic violence, sexual assault, and human trafficking.

The Agency periodically receives funds from the North Carolina Department of Health and Human Services (DHHS) for the Community Living Housing Fund when unspent Transition to Community Living funds are available at DHHS at the end of the fiscal year. In October 2022, Session Law 2022-180 established a recurring appropriation for such funds, not to exceed \$3.8 million. Any funds received in excess of \$3.8 million are reported in *Deferred state grants* until appropriated by the North Carolina General Assembly (General Assembly), at which time they are moved to *State grants received*.

In fiscal year 2025, approximately \$59 million of remaining COVID-era Emergency Rental Assistance (ERA2) funds were appropriated by the General Assembly to the HTF. These are federal funds originally from the US Department of Treasury (Treasury) that were provided to assist eligible households with financial assistance, provide housing stability services, and cover costs for other affordable rental housing and eviction prevention activities. The Agency is using the funds for eligible affordable rental housing purposes, including the construction, rehabilitation, or preservation of affordable rental housing projects and related activities, serving very low-income families.

Federal and State Programs The Agency administers several federal programs including Section 8 Project-Based Contract Administration (Section 8 PBCA), ERA2, the combined HOME Investment Partnerships Program (HOME) and the HOME Investment Partnerships American Rescue Plan Program (HOME-ARP), Community Development Block Grant Disaster Recovery (CDBG-DR), and National Housing Trust Fund (NHTF), which represent 78%, 11%, 9%, 1% and 1% of federal expenditures, respectively. The Agency receives a fee for administering these programs. The HOME program is matched with State funds of up to \$3 million annually as appropriated by the General Assembly.

The Agency receives funds from DHHS for the Transitions to Community Living Voucher program (TCLV), the Key Rental Assistance (Key) program and other housing programs. TCLV is a tenant-based, rental assistance program, which also provides assistance with security deposits, holding fees and risk mitigation claims. The Key program provides assistance and services to low-income individuals with disabilities and those who are homeless. These funds are reported in *State grants received*.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through single-family trust agreements and are restricted as to their use. The proceeds of individual bond issues are used to purchase qualifying mortgage loans for single-family residential units.

The Agency's former FirstHome program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable, net* in the 1998 Home Ownership Bond Program. Mortgage loan interest income related to the Home Ownership Bond Programs is reported in *Interest on mortgage loans*.

The operations for the NC Home Advantage Mortgage (HomeAd) program are financed through the issuance of taxable and tax-exempt mortgage revenue bonds as well as the sale of mortgage-backed securities (MBS). The production related to the HomeAd program is reported in the 1998 Home Ownership Bond Program. In contrast to the FirstHome program, in which the Agency owns the mortgage loans, all HomeAd production is pooled into MBS, regardless of the method of financing. For HomeAd loans funded through the sale of MBS, the related program income is recorded in *Program income/fees*. The MBS funded with bond proceeds are reported in *Restricted Investments*, which also include US Agency securities held by the Agency, as described in Note B, "Cash, Cash Equivalents, Investments, Fair Value Measurements and Securities Lending Transactions." The corresponding earnings from the bond-funded MBS are reported in *Interest on investments*. The down payment assistance loans and lender compensation incurred by the HomeAd program are reported in *Nonfederal program expense*, regardless of the method of financing.

**Significant Accounting Policies** Below is a summary of the Agency's significant accounting policies:

**Cash and Cash Equivalents** *Cash and cash equivalents* are comprised of cash on hand, amounts on deposit with financial institutions which are insured or collateralized under provisions of State laws and regulations, and amounts in pooled cash accounts managed by the North Carolina State Treasurer (State Treasurer), and highly liquid investments with original maturities of three months or less. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of *Cash and cash equivalents* classified as restricted on the accompanying Statement of Net Position are for the Agency's debt service payments, bond calls, and for funding home ownership under the Agency's different programs.

**Investments** *Restricted investments* are reported at fair value in accordance with GASB Codification Section 150, *Investments*. The investments include US Treasury securities, US Agency securities and MBS insured by the Government National Mortgage Association (GNMA), which is a US government agency, and the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), both government sponsored enterprises. The interest earnings are reported in *Interest on investments* and the net change in fair value is reported in *Net increase (decrease) in fair value of investments*.

**Mortgage Loans Receivable, Net** Mortgage loans include first lien single-family mortgages from the Agency's former FirstHome program, and second lien single-family and multifamily mortgages from various Agency programs. The Agency has the ability and intent to hold these loans for the foreseeable future; therefore, they are not considered investments under GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), and are carried at their outstanding principal balances less a loan loss reserve. The Agency determines the loan loss reserve based on an evaluation of the loan portfolio, current economic conditions, historical loss experience and other factors relevant to the determination of the collectability of the loans.

**Mortgage Loans Held For Sale** Periodically, the Agency purchases a portion of HomeAd mortgage loans from its originating lenders to hold from the time of loan purchase to the subsequent securitization of the loan, which is approximately one month. The loans are recorded at their outstanding principal balances. When these loans are purchased, they are included in *Mortgage loans held for sale*. The interest income and servicing fees associated with these loans are included in *Interest on mortgage loans* and *Mortgage servicing expense*, respectively.

**Other Assets** *Other assets* for Federal and State Programs includes receivables related to the HOME, Section 8 PBCA, NHTF, Section 811 Project Rental Assistance for Persons with Disabilities, and HOME-ARP programs. *Other assets* reflected in the Home Ownership Bond Programs include mortgage payments collected by servicers that will be remitted to the Agency in the upcoming fiscal year.

**Capital Assets, Net** Fixed assets, net of accumulated depreciation, are included in *Capital assets, net* in the accompanying financial statements. Fixed assets of \$5,000 or greater, intangible assets of \$100,000 or greater, and internally developed software with development costs of \$1 million or greater are capitalized and depreciated over a five-year economic useful life using the straight-line method. Right to Use (RTU) buildings and RTU machinery and equipment, net of accumulated depreciation, are also included in *Capital assets, net*. RTU assets with a lease term of greater than 12 months are capitalized and depreciated over the lesser of the lease term or the useful life of the asset, using the straight-line method. Such leases are only subject to capitalization by the Agency if total future lease payments total \$100,000 or more.

**Bond Premium and Discount** Bond premium and discount represents the difference in the amount received upon the sale of bonds and the par value and is included as a component of *Bonds payable, net* in the accompanying financial statements. The bond premium and discount are amortized using the effective interest rate method over the life of the related bonds and are adjusted accordingly for any bond calls that occur during the year. The amortization of the bond premium and discount is included as a component of *Interest on bonds* in the accompanying financial statements.

**Derivative Instruments** The Agency has entered into interest rate swap agreements (swap) in order to provide lower cost fixed rate financing for its loan production. The Agency pays a fixed interest rate in exchange for receiving a variable interest rate from the counterparty. By entering into a swap, the Agency hedges its interest rate risk associated with variable rate bonds. The Agency's swaps are considered to be hedging derivative instruments under GASB Statement No. 53 and are recorded under *Hedging derivates asset* or *Hedging derivates liability*. The fair market value of each swap is recorded under *Deferred Inflows of Resources* or *Deferred Outflows of Resources*. The interest differentials paid or received under the swaps are recognized as an increase or decrease in *Interest on bonds*.

**Unearned Revenues** *Unearned revenues* includes monitoring fees received upon the completion of LIHTC projects. Since the Agency's monitoring of LIHTC projects occurs over time, these fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan. As these funds are disbursed, unearned revenue is reduced and revenue is recognized.

**Interprogram Receivable (Payable)** During the normal course of operations, the Agency has numerous transactions among programs to provide services. If certain transactions among programs have not been settled as of June 30, 2025 these balances are recorded as *Interprogram receivable (payable)* and eliminated in the accompanying financial statements.

**Deferred Outflows/Inflows of Resources** In addition to Assets, the Statement of Net Position includes a separate section for *Deferred Outflows of Resources*. This section of the financial statements represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Agency has three items that meet the criterion: contributions to the pension plan, contributions to other postemployment benefits (OPEB), and an accumulated decrease in fair value of hedging derivative instruments. In addition to Liabilities, the Statement of Net Position includes a separate section for *Deferred Inflows of Resources*. This section of the financial statements represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Agency has three items that meets the criterion: deferred inflows related to the pension plan, deferred inflows related to OPEB, and an accumulated increase in fair value of hedging derivative instruments.

**Net Position** *Net Position* is reported as restricted when constraints placed on it are externally imposed by creditors, grantors, laws or regulations, or by law through constitutional provisions.

The Agency's Board of Directors approves an operating budget annually that is funded with revenues generated by administrative fees earned on programs, interest income earned on investments, repayment of program funds, and earnings and reserves from trust agreements. These revenue sources are used to cover operating expenses. The decision to use restricted or unrestricted receipts to fund a payment is considered at the transaction level depending on the nature of the payment.

Net position of the Home Ownership Bond Programs is restricted pursuant to the Agency's agreements with its bondholders as determined in its trust agreement. The Agency has restricted these funds in amounts sufficient to meet required debt service and operating expenses as defined by the trust agreement.

Net position of the HTF Programs is restricted in accordance with the policies of the Housing Partnership. The Agency and Federal and State Programs' net positions are restricted in accordance with each program's requirements.

Operating Revenues and Expenses As one of its primary funding sources, the Agency has the authority to issue bonds to the investing public to create inflows of private capital. These funds are used to finance mortgage loans for qualified borrowers. Additional operating income is earned from the sale of the MBS associated with the HomeAd program that are funded through the TBA markets. In addition, a significant amount of operating revenues is derived from federal programs, other program income/fees, interest earned on mortgage loans and MBS that are financed with bonds, including (or offset by) GASB Statement No. 31 fair market value adjustments associated with the investments resulting from market fluctuations.

Accordingly, the primary operating expenses of the Agency are those related to federal programs and the interest expense on bonds outstanding. Other significant operating expenses include down payment assistance and lender compensation, which are reported in *Nonfederal program expense*, and Agency operations, which are reported in *General and administrative expense*.

Non-Operating Revenues and Expenses *State appropriations received and State grants received* are classified as *Non-Operating Revenues (Expenses)*. The related expenses are classified as *State program expense*.

General and Administrative Expense *General and administrative expense* is classified by the related program. To the extent allowed by federal and state programs and trust agreements, transfers are made from proceeds of federal and state programs or bond issuances to the Agency to reimburse allowable general and administrative expenses. Certain indirect costs are allocated to federal and state programs based on an independently prepared cost allocation plan.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the contingent and reported amounts of assets, liabilities, deferred inflows and outflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (e.g., loan loss reserve). Actual results could differ from estimates.

## **B. CASH, CASH EQUIVALENTS, INVESTMENTS, FAIR VALUE MEASUREMENTS AND SECURITIES LENDING TRANSACTIONS**

**Cash and Cash Equivalents** As of June 30, 2025, the Agency had deposits with a carrying value of \$42,242,000 and a bank balance of \$42,312,000 in its primary operating account. Of this amount, \$39,371,000 was classified as restricted funds, which included \$2,192,000 of escrow and replacement reserves maintained on behalf of multifamily and single-family mortgagors; accordingly, a corresponding liability of the same amount is also included on the Statement of Net Position.

The Agency had deposits with a carrying value of \$1,288,483,000 and a bank balance \$1,290,314,000 on deposit with the Agency's fiduciary agents. Of this balance, \$1,098,330,000 was classified as restricted funds. Such deposits are held in accordance with State Statute 159-31(b) by a third-party custodian.

Deposits - Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. At June 30, 2025, the Agency was not exposed to any material custodial credit risk.

**Deposits - Foreign Currency Risk** Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of a deposit. The Agency does not have exposure to foreign currency risk.

**Investments** The Agency's restricted investments include US Treasury securities, US Agency securities and MBS insured by GNMA, FNMA and FHLMC.

The Agency funds a portion of its HomeAd production with both tax-exempt and taxable bonds. In the HomeAd program, mortgages are made by lenders, purchased by the Agency's master servicer, and securitized into MBS. For MBS that are financed with bonds, the MBS are reflected in *Restricted investments* on the Statement of Net Position.

At June 30, 2025, the Agency held the following investments with the listed maturities at annual rates ranging from 1.675% to 7.125%. Ratings are displayed with the Moody's Investors Service (Moody's) rating listed first and the Standard & Poor's (S&P) rating listed second (*in thousands*):

Investments (Ratings)	Carrying Amount	Investment Maturities (In Years)				
		Less Than		6 - 10		More Than 10
		1	1 - 5			
GNMA MBS (Aa1/AA+)	\$1,451,965	\$ -	\$ -	\$ -	\$ -	\$1,451,965
FNMA MBS (Aa1/AA+)	1,169,024	-	-	-	-	1,169,024
FHLMC MBS (Aa1/AA+)	362,601	-	-	-	-	362,601
US Treasury Securities (Aa1/AA+)	200,000	200,000	-	-	-	-
US Agency Securities (Aa1/AA+)	2,366	599	1,767	-	-	-
<b>Total Categorized</b>	<b>\$3,185,956</b>	<b>\$ 200,599</b>	<b>\$ 1,767</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$2,983,590</b>

**Interest Rate Risk** Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. The Agency's investment strategy is designed to match the life of the asset with the date of its related liability. The Agency seeks to minimize interest rate risk by structuring the portfolio to meet ongoing program and operational cash requirements without having to sell securities prior to maturity.

**Credit Risk** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the US Government; (ii) obligations issued by an approved agency or corporation wholly-owned by the US Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) repurchase agreements with banks and financial institutions which are chartered outside of the State and meet specified rating and collateral requirements of the various trust agreements. The MBS are securitized by GNMA, FNMA and FHLMC. The GNMA MBS are direct obligations of the US Government. FNMA and FHLMC are government sponsored enterprises that have credit ratings and perceived credit risk comparable to direct US obligations. The US Treasury securities are direct obligations of the US Government; the US Agency securities are direct obligations of the Federal Farm Credit Bank and Federal Home Loan Bank.

**Concentration of Credit Risk** Concentration of credit risk is the risk of loss related to the percentage of the Agency's investment portfolio in any single issuer, except for investments explicitly

backed by the US government. The Agency's investments in FNMA and FHLMC both exceed 5% of total investments as of June 30, 2025.

**Custodial Credit Risk** Custodial credit risk occurs when investment securities are uninsured and are not registered in the name of the Agency, and there is a failure of the counterparty. At year end, the Agency was not exposed to custodial credit risk. The US Treasury securities and the US Agency securities, including the MBS, are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent.

**Foreign Currency Risk** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency does not have exposure to foreign currency risk.

**Fair Value Measurements** To the extent available, the Agency's investments are recorded at fair value within the fair value hierarchy established by GAAP, in accordance with GASB 72. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
Level 2	Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
Level 3	Investments with unobservable inputs and may require a degree of professional judgment.

The Agency had the following recurring fair value measurements as of June 30, 2025 (*in thousands*):

Investment Type	Fair Value	Input Level	
US Treasury Securities	\$200,000	Level 1	Valuation of the underlying assets is based on quoted prices for identical assets in active markets.
US Agency Securities	\$2,366	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.
MBS	\$2,983,590	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.

**Securities Lending Transactions** GASB Codification Section 160, *Investments—Security Lending* establishes accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer is authorized to engage in these types of transactions under State Statute 147-69.3(e). The types of securities include government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be maintained at 100% of the market value of the original securities. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions.

Throughout fiscal year 2025, the Agency had deposits from time to time in the pooled investment accounts of the State Treasurer; however, due to market conditions these deposits were immaterial at all times during the fiscal year and were \$0 as of June 30, 2025. The risk associated with any future transactions will be recorded by the State in its fiduciary funds in a future period. No allocation will be made to the Agency.

## C. MORTGAGE LOANS RECEIVABLE

The Agency's mortgage loans are derived from various funding sources. Loans receivable as of June 30, 2025, are as follows (*in thousands*):

	<u>Agency Programs</u>	<u>Housing Trust Fund Programs</u>	<u>Federal and State Programs</u>	<u>Home Ownership Bond Programs</u>	<u>Total</u>
Mortgage loans receivable	\$ 10,244	\$ 20,262	\$ 79,214	\$ 161,929	\$ 271,649
Less: allowance for loan losses	-	(28)	-	(142)	(170)
	<u>\$ 10,244</u>	<u>\$ 20,234</u>	<u>\$ 79,214</u>	<u>\$ 161,787</u>	<u>\$ 271,479</u>
Less: current portion	(8,857)	(11,710)	(6,889)	(23,634)	(51,090)
<b>Mortgage loans receivable, net</b>	<b>\$ 1,387</b>	<b>\$ 8,524</b>	<b>\$ 72,325</b>	<b>\$ 138,153</b>	<b>\$ 220,389</b>

For the Home Ownership Bond Programs, the Agency has collateralized \$153,116,000 in mortgage loans receivable and \$3,911,263,000 in cash and investments pledged to repay the \$3,611,425,000 single-family bonds payable outstanding as of June 30, 2025. Proceeds from the bonds issued were used to finance housing throughout the State. The outstanding bonds are payable through fiscal year 2057 and are repaid from principal and interest on mortgage loans and MBS, unexpended bond proceeds, proceeds from the sale of investments as well as interest income from investments. The Agency expects 100% of the mortgage loans and MBS, both principal and interest, to pay the principal and interest debt service requirements on the bonds. The total debt service requirement based on projected cash flows as of June 30, 2025 is \$6,646,846,000 (see "Maturities" under Note D).

For the current fiscal year, debt service payments, bond calls and related interest payments totaling \$283,048,000 were made for the Home Ownership Bond Programs. Payments received on mortgage loans and MBS for the Home Ownership Bond Programs were \$31,276,000 and \$278,087,000, respectively.

The existing and future mortgage loans which the Agency may purchase under the Home Ownership Bond Programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration, guaranteed

by the Veterans Administration, guaranteed by the US Department of Agriculture, Rural Development, insured under a private mortgage insurance program, or have a loan-to-value ratio equal to or less than 80%. As of June 30, 2025, all outstanding FirstHome mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements and have stated interest rates ranging from 3% to 8.75%.

#### D. BONDS PAYABLE

Bonds payable activity for the year ended June 30, 2025 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Bonds Payable</b>				
Home Ownership	\$ 2,665,315	\$ 1,158,000	\$ (211,890)	\$ 3,611,425
Unamortized Bond Premium/Discount	70,134	35,108	(13,506)	91,736
<b>Total Bonds Payable, Net</b>	<b>\$ 2,735,449</b>	<b>\$ 1,193,108</b>	<b>\$ (225,396)</b>	<b>\$ 3,703,161</b>

Bonds payable as of June 30, 2025 are as follows (*in thousands*):

<u>Issue</u>	<u>Stated Rates (%)</u>	<u>Final Maturity</u>	<u>Principal Amount</u>
<b>Home Ownership Revenue Bonds</b>			
(1998 Housing Revenue Bonds Trust Agreement)			
Series 35	2.870	7/1/2032	\$ 960
Series 36	3.482	7/1/2025	480
Series 37	2.300 – 3.500	7/1/2039	16,370
Series 38	2.450 – 4.000	7/1/2047	77,020
Series 39	2.800 – 4.000	7/1/2048	32,965
Series 40	4.250	7/1/2047	10,505
Series 41	2.150 – 4.000	1/1/2050	73,300
Series 42	1.500 – 4.000	1/1/2050	83,465
Series 43	1.600 – 4.000	7/1/2050	88,520
Series 44	1.700 – 4.000	7/1/2050	83,065
Series 45	0.700 – 3.000	7/1/2051	136,170
Series 46	0.600 – 3.000	7/1/2051	120,660
Series 47	0.500 – 3.000	7/1/2051	134,320
Series 48	2.050 – 5.000	7/1/2052	178,250
Series 49	3.300 – 6.000	7/1/2053	168,785
Series 50	2.700 – 5.500	1/1/2054	171,940
Series 51	3.250 – 5.750	1/1/2054	192,030
Series 52 A/B	3.625 – 6.500	1/1/2055	305,670
Series 52 C	Variable	7/1/2049	40,000
Series 53	3.100 – 6.250	1/1/2055	299,500
Series 54	3.400 – 6.500	1/1/2055	299,450
Series 55 A/C	3.000 – 6.250	7/1/2056	420,000
Series 55 B	Variable	1/1/2050	80,000
Series 57	4.385 – 6.250	1/1/2056	299,000
Series 58	4.442 – 6.500	1/1/2056	299,000
<b>Total Bonds Outstanding</b>			<b>\$ 3,611,425</b>
<b>Plus Unamortized Bond Premium &amp; Discount</b>			<b>\$ 91,736</b>
<b>Total Bonds Payable, Net</b>			<b>\$ 3,703,161</b>

**Maturities** Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2025, are as follows (*in thousands*):

**Bonds Outstanding without Interest Rate Swaps**

<b>Fiscal Year</b>		<b>Principal</b>	<b>Interest</b>
<b>Ending June 30</b>			
2026	\$ 61,895	\$ 143,967	
2027	75,505	153,942	
2028	80,375	151,693	
2029	82,790	149,206	
2030	85,430	146,592	
2031-2035	464,500	686,091	
2036-2040	557,870	589,561	
2041-2045	633,180	464,035	
2046-2050	656,340	316,608	
2051-2055	738,955	125,938	
2056-2057	54,585	2,068	
<b>Total Requirements</b>	<b>\$ 3,491,425</b>	<b>\$ 2,929,701</b>	

**Bonds Outstanding with Interest Rate Swaps**

<b>Fiscal Year</b>		<b>Principal</b>	<b>Interest</b>
<b>Ending June 30</b>			
2026	\$ -	\$ 3,906	
2027	-	4,740	
2028	-	4,740	
2029	-	4,740	
2030	-	4,740	
2031-2035	-	23,700	
2036-2040	-	23,700	
2041-2045	14,920	23,446	
2046-2050	105,080	12,008	
<b>Total Requirements</b>	<b>\$ 120,000</b>	<b>\$ 105,720</b>	

**Total Bonds Outstanding**

<b>Fiscal Year</b>		<b>Principal</b>	<b>Interest</b>
<b>Ending June 30</b>			
2026	\$ 61,895	\$ 147,873	
2027	75,505	158,682	
2028	80,375	156,433	
2029	82,790	153,946	
2030	85,430	151,332	
2031-2035	464,500	709,791	
2036-2040	557,870	613,261	
2041-2045	648,100	487,481	
2046-2050	761,420	328,616	
2051-2055	738,955	125,938	
2056-2057	54,585	2,068	
<b>Total Requirements</b>	<b>\$ 3,611,425</b>	<b>\$ 3,035,421</b>	

**Bond Redemptions** The trust agreements provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues, from excess revenues, or from funds released via the related decreases in the respective debt service reserve requirements.

For the year ended June 30, 2025, bond redemptions were as follows (*in thousands*):

<u>Issue</u>	<u>Amount Redeemed</u>
Housing Revenue Bonds (1998 Trust Agreement)	\$ 211,890

**Special Facilities (Conduits)** The Agency issued Multifamily Housing Revenue Bonds which are not presented in the financial statements of the Agency. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment. These bonds do not constitute a debt of and are not guaranteed by the State or any political subdivision thereof. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of June 30, 2025 for special facilities are as follows (*in thousands*):

<u>Issue</u>	<u>Bond Type</u>	<u>Bonds Outstanding</u>
Series 2022 (S. Emerson Hills Apt. Homes)*	Multifamily Housing Revenue Bonds	\$ 36,361
Series 2024 (Fitch Irick Portfolio)	Multifamily Housing Revenue Bonds	43,251
Series 2024 (Cabarrus Arms Apartments)**	Multifamily Housing Revenue Bonds	12,203
Series 2024 (Weaver-PPM Portfolio)	Multifamily Housing Revenue Bonds	15,200
<b>Total</b>		<b>\$ 107,015</b>

\* The bonds were issued as "draw down" bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$37,515,000. As of June 30, 2025, \$36,361,000 has been advanced.

\*\* The bonds were issued for a total of \$12,325,000. As of June 30, 2025, a total of \$122,000 scheduled principal payments have been made.

Bonds related to special facilities that were fully redeemed in fiscal year 2025 are as follows:

<u>Issue</u>	<u>Bond Type</u>	<u>Redemption Date</u>
Series 2022 (Five Points Crossing, LP)	Multifamily Housing Revenue Bonds	12/18/2024

## E. DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

**Summary Information** During fiscal year 2025, the Agency entered into a new swap agreement with Royal Bank of Canada to hedge the Series 55-B variable-rate bonds issued during the period. The existing swap with Bank of America, N.A. remains in place to hedge Series 52-C variable-rate bonds. Both pay-fixed rate interest rate swaps are designated as hedging derivative instruments representing a cash flow hedge for the organization (*in thousands*):

Hedgeable Item	Notional Amount	Classification	FMV at June 30, 2025		Net Change in FMV
			Asset (Liability)	Classification	
Series 52-C	\$40,000	Hedging Derivative	\$(547)	Deferred Outflows of Resources	\$(156)
Series 55-B	\$80,000	Hedging Derivative	\$3,362	Deferred Inflows of Resources	\$3,362

There were no derivative instruments reclassified from a hedging derivative to an investment derivative instrument during the period. There was no deferral amount within investment revenue due to any reclassifications during the period.

**Objective** The Agency enters into interest rate swaps, in connection with its variable-rate revenue bonds, as a means to manage the future cash flow impact associated with these instruments.

**Terms and Credit Risk** The terms and credit risk of the outstanding swap as of June 30, 2025 is as follows (*in thousands*):

Notional Amount	Counterparty	Counterparty Credit Rating Moody's/S&P	Date of Swap Execution	Maturity Date of Swap	Fixed Rate	Floating Index
\$40,000	Bank of America, N.A.	Aa2/A+	11/21/2023	7/1/2049	3.607%	70% SOFR-Compound* + 0.10%
\$80,000	Royal Bank of Canada	Aa1/AA-	10/8/2024	1/1/2050	2.817%	65% SOFR-Compound* + 0.15%

\* SOFR-Compound is the Secured Overnight Financing Rate, with compounding for each day of interest during the accrual period.

**Fair Value** The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The Agency's derivatives are classified as Level 2 in the fair value hierarchy.

**Interest Rate Risk** Under the terms of the swap, the Agency pays the counterparty a fixed rate and receives a variable payment. The variable rate component for the Series 52-C swap is computed

as 70% of SOFR compound rate plus 10 basis points. The variable rate component for the Series 55-B swap is computed as 65% of SOFR compound rate plus 15 basis points. The SOFR rate was 4.45% as of June 30, 2025. The variable-rate payment to the bondholders for both Series 52-C and Series 55-B bonds is determined by the remarketing agent, TD Securities (USA) LLC. The interest rate as of June 30, 2025 was 3.95%.

**Basis Risk and Termination Risk** The swaps expose the Agency to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The Agency's swaps are subject to termination if the counterparty's or the Agency's rating fall below Baa2 as issued by Moody's or BBB as issued by S&P.

**Credit Risk** Credit risk is the risk that the counterparty will not fulfill its obligations. The measurement of this risk is the fair market value of the swaps. The Agency is exposed to credit risk for any positive fair market value to a counterparty. As of June 30, 2025, the Agency's credit risk is minimal. To mitigate credit risk, the Agency maintains strict credit standards. The counterparty to both contracts is a major financial institution with investment-grade ratings.

**Foreign Currency Risk** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency's swap is denominated in US dollars; therefore, it is not subject to foreign currency risk.

**Rollover Risk** Rollover risk exists when the derivative does not last as long as the associated debt is outstanding. The maturity date of the Agency's swap contract matches the maturity dates of the hedged debt; therefore, the Agency has no rollover risk.

**Market Access Risk** Market access risk is the risk that the Agency will not be able to enter credit markets as planned or that credit will become more costly. The Agency's current market access risk is limited due to Standby Bond Purchase Agreements with TD Bank, N.A. that were executed in conjunction with the issuance of the Series 52-C and Series 55-B variable-rate bonds.

**Quantitative Method of Evaluating Effectiveness** To assess the effectiveness of the hedging derivative instrument, the Agency employed the Regression Analysis Method. Under the Regression Analysis Method, a hedging derivative instrument is effective if the following criteria is met: (1) the R-Squared of the regression analysis is at least 0.80; (2) the F-statistic is within a 95% confidence interval, with the Significance F less than 0.05; and (3) the regression coefficient for the slope is between (1.25) and (0.80). The results of the testing as of June 30, 2025 are as follows:

<b>Hedgeable Item</b>	<b>Regression</b>			<b>Test Performance</b>
	<b>R-Squared</b>	<b>Significance F</b>	<b>Slope Coefficient</b>	
Series 52-C	0.99313	0.00000	(0.87767)	PASS
Series 55-B	0.99561	0.00000	(0.90495)	PASS

**Swap Payments and Associated Debt** As rates vary, variable-rate bond interest payments and net swap payments will differ between the fixed rate paid to the counterparty and the variable rate paid to the Agency. Using rates as of June 30, 2025, debt service requirements of the variable-rate debt and net swap payments are as follows (*in thousands*):

<b>Fiscal Year Ending June 30</b>	<b>Variable-Rate Bond Principal</b>	<b>Interest Rate Swap, Net</b>	<b>Total Interest</b>
2026	\$ -	\$ 3,906	\$ (65) \$ 3,841
2027	-	4,740	(116) 4,624
2028	-	4,740	(116) 4,624
2029	-	4,740	(127) 4,613
2030	-	4,740	(116) 4,624
2031-2035	-	23,700	(591) 23,109
2036-2040	-	23,700	(591) 23,109
2041-2045	14,920	23,446	(581) 22,865
2045-2050	105,080	12,008	(186) 11,822
<b>Total</b>	<b>\$ 120,000</b>	<b>\$ 105,720</b>	<b>\$ (2,489) \$103,231</b>

## F. NONCURRENT LIABILITIES

Noncurrent liabilities for the year ended June 30, 2025 are as follows (*in thousands*):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds payable					
Bonds payable, net	\$ 2,665,315	\$ 1,158,000	\$ (211,890)	\$ 3,611,425	\$ 61,895
Unamortized bond premium	70,134	35,108	(13,506)	91,736	-
Hedging derivatives liability	391	156	-	547	-
Unearned revenues	25,743	10,113	(4,386)	31,470	4,877
Pension liability	9,660	-	(832)	8,828	-
OPEB liability	13,365	4,091	(13)	17,443	-
Lease liability	2,113	20	(695)	1,438	644
Other noncurrent liabilities					
Arbitrage rebate payable	749	1,064	-	1,813	111
Compensated absences	2,159	1,113	(86)	3,186	1,293
Deposits payable	2,831	305	(943)	2,193	1
Workers' compensation	1,000	519	(1,039)	480	81
	<b>\$ 2,793,460</b>	<b>\$ 1,210,489</b>	<b>\$ (233,390)</b>	<b>\$ 3,770,559</b>	<b>\$ 68,902</b>

## G. Leases

During the year ended June 30, 2025, the Agency leased a building with a 60-month term, which expires September 30, 2027, a copier with a 60-month term, which expires July 12, 2028, and a postage meter with a 60-month term, which expires May 6, 2028.

Lease assets are reported in *Capital assets, net*. Lease asset activity for the year ended June 30, 2025 was as follows (*in thousands*):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Lease Assets:</b>				
RTU Buildings	\$ 3,726	\$ -	\$ (49)	\$ 3,677
RTU Machinery & Equipment	122	-	-	122
<b>Total Lease Assets</b>	<b>\$ 3,848</b>	<b>\$ -</b>	<b>\$ (49)</b>	<b>\$ 3,799</b>
<b>Accumulated Depreciation:</b>				
RTU Buildings	\$ (1,791)	\$ (581)	\$ -	\$ (2,372)
RTU Machinery & Equipment	(25)	(24)	-	(49)
<b>Total Accumulated Depreciation</b>	<b>\$ (1,816)</b>	<b>\$ (605)</b>	<b>\$ -</b>	<b>\$ (2,421)</b>
<b>Lease Assets, net</b>	<b>\$ 2,032</b>	<b>\$ (605)</b>	<b>\$ (49)</b>	<b>\$ 1,378</b>

Lease liabilities as of June 30, 2025, are as follows (*in thousands*):

Classification:	Lease Liability June 30, 2025	Due Within One Year	Lease Term in Years	Interest Rate
RTU Buildings	\$ 1,364	\$ 620	5	6.25%
RTU Machinery & Equipment	74	24	5	8.23-8.29%
	<b>\$ 1,438</b>	<b>\$ 644</b>		

Future principal and interest lease payments as of June 30, 2025, are as follows (*in thousands*):

Classification:	Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total Payments
RTU Buildings	2026	\$ 620	\$ 39	\$ 659
	2027	637	40	677
	2028	107	7	114
	2029	-	-	-
	2030	-	-	-
RTU Machinery & Equipment	2026	\$ 24	\$ 2	\$ 26
	2027	24	2	26
	2028	24	2	26
	2029	2	-	2
	2030	-	-	-
		<b>\$ 1,438</b>	<b>\$ 92</b>	<b>\$ 1,530</b>

#### H. Federal Awards

As a designated public housing agency for the US Department of Housing and Urban Development (HUD) Section 8 PBCA program, the Agency requisitions Section 8 program funds and makes disbursements to eligible landlords. For the year ended June 30, 2025, \$224,793,000 was received by the Agency and disbursed to property owners.

The Agency is designated as the participating entity under grant agreements with HUD for the HOME and the NHTF programs. The HOME program provides funding for the purpose of developing affordable housing for persons of low and very low income. The NHTF provides funding to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low and very low income households. For the year ended June 30, 2025, \$10,018,000 in HOME entitlement funds was

received and the Agency disbursed \$24,648,000 in entitlement and program income funds. During the year, \$1,990,000 in NHTF entitlement funds was received and disbursed by the Agency.

The Agency receives CDBG-DR funds from the NC Office of Recovery and Resiliency, a component of the NC Department of Public Safety, who is the participating entity with HUD. These funds are used for new construction of multifamily rental housing in counties impacted by Hurricane Matthew. For the year ended June 30, 2025, \$3,536,000 was received and disbursed by the Agency.

The Agency was appropriated ERA2 funds that had originally been awarded to the NC Pandemic Recovery Office by Treasury. The Agency is using the funds for eligible affordable rental housing purposes, including the construction, rehabilitation, or preservation of affordable rental housing projects and related activities, serving very low-income families impacted by the COVID-19 pandemic. For the year ended June 30, 2025, \$33,450,000 was received and disbursed by the Agency.

The Agency earned fees of \$10,239,000 for administering these and other federal programs for the year ended June 30, 2025. Of these fees, \$6,282,000 was paid to Quadel Consulting Corporation for Section 8 PBCA administration. These fees are reported in *General and administrative expense*.

Federal awards are subject to audit by the grantor agencies. The Agency could be held liable for amounts received in excess of allowable expenditures.

## **I. PENSION PLAN**

**Plan Description** All permanent, full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. TSERS provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the General Assembly. TSERS is included in the Annual Comprehensive Financial Report (Annual Report) for the State. The State's Annual Report includes financial statements and required supplementary information for TSERS. The report may be obtained from the website for the North Carolina Office of State Controller (OSC) using the following link: <https://www.osc.nc.gov/public-information/reports>.

**Benefits Provided** TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

**Funding Policy** Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The fiscal year 2025 rate is 16.79% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the General Assembly. The following table represents the three-year trend of the annual contributions made by the Agency to the State retirement system. The Agency made 100% of its required contributions for the years ended June 30, 2025, 2024, and 2023 (*in thousands*):

	2025	2024	2023
Retirement Contribution	\$2,120	\$2,085	\$1,935
Percentage of Covered Payroll	16.79%	17.64%	17.38%

**Net Pension Liability** At June 30, 2025, the Agency reported a liability of \$8,828,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions listed below. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2024 and at June 30, 2023, the Agency's proportion was 0.05958% and 0.05794%, respectively.

**Deferred Outflows/Inflows of Resources Related to Pensions** For the year ended June 30, 2025, the Agency recognized pension expense of \$2,701,000. At June 30, 2025, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to pensions from the following sources (*in thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 795	\$ 26
Changes of assumptions		-
Net difference between projected and actual earnings on pension plan investments	1,456	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	345	-
Contributions subsequent to the measurement date	2,120	-
<b>Total</b>	<b>\$ 4,716</b>	<b>\$ 26</b>

*Deferred Outflows of Resources* of \$2,120,000 related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2025 related to pensions will be recognized as pension expense as follows (in thousands):

Year ending June 30:	
2026	\$ 849
2027	1,914
2028	(37)
2029	(156)
<b>Total</b>	<b>\$ 2,570</b>

**Actuarial Assumptions** The total pension liability was determined by an actuarial valuation performed as of December 31, 2023. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized. Inflation is assumed to be 2.5%, and salary increases range from 3.25% to 8.05% which includes 3.25% inflation and productivity factor. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5% and is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2024 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

**Discount Rate** The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 valuation. The 6.5% discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the Agency's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (*in thousands*):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Agency's proportionate share of the net pension liability	\$16	\$9	\$3

**Pension Plan Fiduciary Net Position** Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Report for the State.

#### **J. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** In addition to providing pension benefits, the Agency participates in two postemployment benefit plans, the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC), that are administered by the State as pension and other employee benefit trust funds. The Agency makes monthly contributions to the State for these benefits. The State's Annual Report includes financial statements and required supplementary information for each plan. See Note I. "Pension Plan" for information about obtaining the Annual Report from OSC.

The RHBF has been established as a fund to provide health benefits to long-term disability beneficiaries of the DIPNC and retirees who have at least five years of creditable service with TSERS. TSERS pays the full cost of coverage for retirees enrolled in the State's self-funded Teachers' and State Employees' Preferred Provider Organization medical plan who were hired prior to October 1, 2006, and retire with five or more years of State TSERS membership service. For employees hired on or after October 1, 2006 and before January 1, 2021, TSERS will pay the full cost of coverage for retirees with 20 or more years of service, TSERS will pay 50% of the cost of coverage for retirees with at least 10 years but less than 20 years of service, and the retiree with less than 10 years of service will pay the full

cost of coverage. Employees hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Short-term and long-term disability benefits are provided through the DIPNC. Long-term disability benefits are payable from the DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service with TSERS earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers' compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees' usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; (5) the employee must not be eligible to receive unreduced retirement benefits from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. In addition, recipients of long-term disability benefits are eligible to receive the State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from the DIPNC cease, and the employee will commence retirement under TSERS.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payrolls. Annually, the State sets monthly contribution rates for postemployment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

**Contributions** Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly and coincide with the State's fiscal year. The Agency assumes no liability for retiree health care or long-term disability benefits other than its required contributions.

The following table represents the three-year trend of the annual contributions made by the Agency to the State post-employment benefit plans. The Agency made 100% of its required contributions for the years ended June 30, 2025, 2024, and 2023 (*in thousands*):

	2025	2024	2023
Health Care Benefit	\$ 883	\$ 844	\$ 767
Disability Benefit	\$ 16	\$ 13	\$ 11
<b>Percentage of Covered Payroll</b>			
Health Care Benefit	6.99%	7.14%	6.89%
Disability Benefit	0.13%	0.11%	0.10%

Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

**Net OPEB Liability (Asset)** At June 30, 2025, the Agency reported a liability of \$17,443,000 for its proportionate share of the collective net OPEB liability for RHBF. The Agency also reported an asset of \$17,000 for its proportionate share of the collective net OPEB asset for DIPNC. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability (asset) to June 30, 2024. The Agency's proportion of the net OPEB liability (asset) was based on the present value of future salaries for the Agency relative to the present value of future salaries for all participating employers, actuarially-determined. At June 30, 2024 and at June 30, 2023, the Agency's proportion was 0.05958% and 0.05794%, respectively.

**Actuarial Assumptions** The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

	RHB <sup>F</sup>	DIPNC
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical	5% - 6.5%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5% - 10%	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates	5% - 7%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5% - 6.17%	N/A
Healthcare Cost Trend Rate - Administrative	3%	N/A

\*Salary increases include 3.25% inflation and productivity factor.

\*\*Investment rate of return is net of OPEB plan investment expense, including inflation.

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHB's target asset allocation as of June 30, 2024 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 (the valuation date) was 2.76%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 actuarial assumptions used for RHB are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHB reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience study prepared as of December 31, 2019.

**Discount Rate** The discount rate used to measure the total OPEB liability for RHB was 3.93%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB asset for DIPNC was 3%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position

was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** The following presents the Agency's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (*in thousands*):

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$24	\$20	\$17
	1% Decrease (2%)	Discount Rate (3%)	1% Increase (4%)
DIPNC	-	-	-

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (*in thousands*):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
RHBF	\$17	\$20	\$25

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus, the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

**Deferred Outflows/Inflows of Resources Related to OPEB** For the year ended June 30, 2025, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to OPEB from the following sources (*in thousands*):

#### Deferred Outflows of Resources Related to OPEB by Classification

	RHBF	DIPNC	TOTAL
Difference between actual and expected experience	\$ 142	\$ 7	\$ 149
Changes of assumptions	4,201	1	4,202
Net difference between projected and actual earnings on OPEB plan investments	75	13	88
Change in proportion and differences between Agency's contributions and proportionate share of contributions	879	3	882
Contributions subsequent to the measurement date	883	16	899
<b>Total</b>	<b>\$ 6,180</b>	<b>\$ 40</b>	<b>\$ 6,220</b>

### Deferred Inflows of Resources Related to OPEB by Classification

	<b>RHBF</b>	<b>DIPNC</b>	<b>TOTAL</b>
Difference between actual and expected experience	\$ -	\$ 19	\$ 19
Changes of assumptions	2,274	8	2,282
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	215	1	216
Contributions subsequent to the measurement date	-	-	-
<b>Total</b>	<b>\$ 2,489</b>	<b>\$ 28</b>	<b>\$ 2,517</b>

Amounts reported as *Deferred outflows of resources* related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for RHBF and DIPNC in the fiscal year ended June 30, 2025. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2025 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ending June 30:	<b>RHBF</b>	<b>DIPNC</b>
2026	\$ 203	\$ (5)
2027	628	(3)
2028	1,068	2
2029	909	1
2030	-	1
Thereafter	-	-
<b>Total</b>	<b>\$ 2,808</b>	<b>\$ (4)</b>

### **K. RISK MANAGEMENT**

The Agency's risk management policies provide for participation in the State's risk management programs. The following types of risk are covered under these programs, as disclosed in the State's Annual Report:

- Automobile, Fire and Other Property Losses
- Public Officers' and Employees' Liability Insurance
- Employee Dishonesty and Computer Fraud
- Statewide Workers' Compensation Program/Fund

The State is responsible for the administration of all liability insurance policies. The deductible and amount of loss in excess of the policy is the responsibility of the Agency.

In addition to the State's policies, the Agency has Cyber Liability and Fraudulent Instruction coverage, which is intended to mitigate financial losses associated with criminal acts of breach and fraudulent impersonation of Agency vendors and staff.

## **L. SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through September 22, 2025 and determined that there have been no events that would require adjustments to our disclosures in the fiscal year 2025 financial statements.

**North Carolina Housing Finance Agency**

**Supplementary Information**



Tel: 919-754-9370  
Fax: 919-754-9369  
[www.bdo.com](http://www.bdo.com)

421 Fayetteville Street  
Suite 300  
Raleigh, NC 27601

## Independent Auditor's Report on Supplementary Information

We have audited the financial statements of the business-type activities of the North Carolina Housing Finance Agency (the Agency), as of and for the year ended June 30, 2025, and have issued our report thereon dated September 22, 2025 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as described in the accompanying table of contents and presented in the following section of this document, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, P.C.*

September 22, 2025

# NORTH CAROLINA HOUSING FINANCE AGENCY

## COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2025

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	Total	
	Housing Trust Fund Programs	Federal and State Programs				
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 193,024	\$ -	\$ -	\$ -	\$ 193,024	
Restricted cash and cash equivalents	56,341	217,036	67,816	796,508	1,137,701	
Restricted investments	-	-	-	200,599	200,599	
Accrued interest receivable on investments	-	-	-	16,041	16,041	
Mortgage loans receivable, net	8,857	11,710	6,889	23,634	51,090	
Mortgage loans held for sale	-	-	-	548	548	
Accrued interest receivable on mortgage loans	1	6	9	994	1,010	
State receivables	-	-	821	-	821	
Other assets	256	-	2,524	1,733	4,513	
Interprogram receivable (payable)	2,145	17	(2,882)	720	-	
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 260,624</b>	<b>\$ 228,769</b>	<b>\$ 75,177</b>	<b>\$ 1,040,777</b>	<b>\$ 1,605,347</b>	
<b>Noncurrent assets:</b>						
Restricted investments	\$ -	\$ -	\$ -	\$ 2,985,357	\$ 2,985,357	
Mortgage loans receivable, net	1,387	8,524	72,325	138,153	220,389	
Hedging derivatives asset	-	-	-	3,362	3,362	
Capital assets, net	1,478	-	-	-	1,478	
Other assets, net	17	-	-	-	17	
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 2,882</b>	<b>\$ 8,524</b>	<b>\$ 72,325</b>	<b>\$ 3,126,872</b>	<b>\$ 3,210,603</b>	
<b>TOTAL ASSETS</b>	<b>\$ 263,506</b>	<b>\$ 237,293</b>	<b>\$ 147,502</b>	<b>\$ 4,167,649</b>	<b>\$ 4,815,950</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows for pensions	\$ 4,716	\$ -	\$ -	\$ -	\$ 4,716	
Deferred outflows for other postemployment benefits	6,220	-	-	-	6,220	
Accumulated decrease in fair value of hedging derivatives	-	-	-	547	547	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 10,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 547</b>	<b>\$ 11,483</b>	
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Bonds payable	\$ -	\$ -	\$ -	\$ 61,895	\$ 61,895	
Accrued interest payable	-	-	-	67,890	67,890	
Accounts payable	721	-	1,645	920	3,286	
Unearned revenues	2,972	1,905	-	-	4,877	
Lease liabilities	644	-	-	-	644	
Other liabilities	1,375	-	-	111	1,486	
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 5,712</b>	<b>\$ 1,905</b>	<b>\$ 1,645</b>	<b>\$ 130,816</b>	<b>\$ 140,078</b>	
<b>Noncurrent liabilities:</b>						
Bonds payable, net	\$ -	\$ -	\$ -	\$ 3,641,266	\$ 3,641,266	
Hedging derivatives liability	-	-	-	547	547	
Unearned revenues	26,593	-	-	-	26,593	
Pension liability	8,828	-	-	-	8,828	
Other postemployment benefits	17,443	-	-	-	17,443	
Lease liabilities	794	-	-	-	794	
Other liabilities	4,484	-	-	1,702	6,186	
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ 58,142</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,643,515</b>	<b>\$ 3,701,657</b>	
<b>TOTAL LIABILITIES</b>	<b>\$ 63,854</b>	<b>\$ 1,905</b>	<b>\$ 1,645</b>	<b>\$ 3,774,331</b>	<b>\$ 3,841,735</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows for pensions	\$ 26	\$ -	\$ -	\$ -	\$ 26	
Deferred inflows for other postemployment benefits	2,517	-	-	-	2,517	
Accumulated increase in fair value of hedging derivatives	-	-	-	3,362	3,362	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 2,543</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,362</b>	<b>\$ 5,905</b>	
<b>NET POSITION</b>						
Net investment in capital assets	\$ 1,478	\$ -	\$ -	\$ -	\$ 1,478	
Restricted net position	23,350	235,388	145,857	390,503	795,098	
Unrestricted net position	183,217	-	-	-	183,217	
<b>TOTAL NET POSITION</b>	<b>\$ 208,045</b>	<b>\$ 235,388</b>	<b>\$ 145,857</b>	<b>\$ 390,503</b>	<b>\$ 979,793</b>	

**NORTH CAROLINA HOUSING FINANCE AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

(in thousands)	AGENCY PROGRAMS		GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
	Housing Trust Fund Programs	Federal and State Programs	Federal and State Programs	Home Ownership Bond Programs			
<b>OPERATING REVENUES</b>							
Interest on investments	\$ 10,184	\$ 9,350	\$ 2,229	\$ 165,543	\$ 187,306		
Net increase (decrease) in fair value of investments	-	-	-	62,345	62,345		
Interest on mortgage loans	289	450	912	9,997	11,648		
Federal program awards received	-	33,450	244,264	-	277,714		
Nonfederal program awards received	-	8,935	-	-	8,935		
Program income/fees	33,793	5,070	18,114	16,945	73,922		
Other revenues	-	144	103	34	281		
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 44,266</b>	<b>\$ 57,399</b>	<b>\$ 265,622</b>	<b>\$ 254,864</b>	<b>\$ 622,151</b>		
<b>OPERATING EXPENSES</b>							
Interest on bonds	\$ -	\$ -	\$ -	\$ 120,541	\$ 120,541		
Lease interest expense	40	-	-	-	-	40	
Mortgage servicing expense	-	-	-	618	618		
Federal program expense	-	2,079	275,200	-	277,279		
Nonfederal program expense	2,592	-	-	67,788	70,380		
General and administrative expense	24,615	-	6,601	1,203	32,419		
Other expenses	5	-	1,349	12	1,366		
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 27,252</b>	<b>\$ 2,079</b>	<b>\$ 283,150</b>	<b>\$ 190,162</b>	<b>\$ 502,643</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 17,014</b>	<b>\$ 55,320</b>	<b>\$ (17,528)</b>	<b>\$ 64,702</b>	<b>\$ 119,508</b>		
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Transfers in (out)	\$ 6,684	(21,124)	\$ 14,767	\$ (327)	\$ -		
State appropriations received	-	52,660	3,000	-	55,660		
State grants received	-	3,366	52,633	-	55,999		
Noncapital contributions	6	-	-	-	6		
State program expense	(1)	(54,630)	(53,742)	-	(108,373)		
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ 6,689</b>	<b>\$ (19,728)</b>	<b>\$ 16,658</b>	<b>\$ (327)</b>	<b>\$ 3,292</b>		
<b>CHANGE IN NET POSITION</b>	<b>\$ 23,703</b>	<b>\$ 35,592</b>	<b>\$ (870)</b>	<b>\$ 64,375</b>	<b>\$ 122,800</b>		
<b>TOTAL NET POSITION - BEGINNING</b>	<b>\$ 184,342</b>	<b>\$ 199,796</b>	<b>\$ 146,727</b>	<b>\$ 326,128</b>	<b>\$ 856,993</b>		
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 208,045</b>	<b>\$ 235,388</b>	<b>\$ 145,857</b>	<b>\$ 390,503</b>	<b>\$ 979,793</b>		

**NORTH CAROLINA HOUSING FINANCE AGENCY**

**COMBINING STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2025

(in thousands)	AGENCY PROGRAMS		GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
	Housing Trust Fund Programs	Federal and State Programs	Housing Trust Fund Programs	Federal and State Programs	Housing Trust Fund Programs	Federal and State Programs	
<b>Cash flows from operating activities:</b>							
Interest on mortgage loans	\$ 289	\$ 450	\$ 919	\$ 10,054	\$ 11,712		
Principal payments on mortgage loans	2,349	1,280	7,585	22,273	33,487		
Purchase of mortgage loans	(3,059)	(10,299)	(5,399)			(18,757)	
Sale of mortgage loans held for sale	-	-			275,323	275,323	
Purchase of mortgage loans held for sale	-	-			(266,215)	(266,215)	
Federal program awards received	-	33,450	247,075			280,525	
Nonfederal program awards received	-	8,935				8,935	
Federal program expense	-	(2,079)	(274,043)			(276,122)	
Nonfederal program expense	(2,592)	-			(67,788)	(70,380)	
Federal grant administration income	-	-	9,686			9,686	
Program income/fees	38,105	6,975	8,156	16,945	70,181		
Other expenses	(23,947)	-	(11,072)		(906)	(35,925)	
Other revenues	2,892	113	(812)		194	2,387	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 14,037</b>	<b>\$ 38,825</b>	<b>\$ (17,905)</b>	<b>\$ (10,120)</b>	<b>\$ 24,837</b>		
<b>Cash flows from non-capital financing activities:</b>							
Issuance of bonds	\$ -	\$ -	\$ -	\$ 1,158,000	\$ 1,158,000		
Principal repayments on bonds	-	-	-	(211,890)	(211,890)		
Interest paid on bonds	-	-	-	(71,158)	(71,158)		
Bond issuance costs paid	-	-	-	(6,822)	(6,822)		
Net transfers	6,684	(21,124)	14,767	(327)	-		
State appropriations received	-	52,660	3,000			55,660	
State grants received	-	3,366	52,633			55,999	
State program expense	(1)	(54,630)	(53,742)			(108,373)	
Noncapital contributions	6	-	-			6	
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>\$ 6,689</b>	<b>\$ (19,728)</b>	<b>\$ 16,658</b>	<b>\$ 867,803</b>	<b>\$ 871,422</b>		
<b>Cash flows from investing activities:</b>							
Proceeds from sales or maturities of investments	\$ -	\$ -	\$ -	\$ 325,644	\$ 325,644		
Purchase of investments	-	-	-	(1,231,390)	(1,231,390)		
Earnings on investments	10,214	9,320	2,229	161,013	182,776		
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 10,214</b>	<b>\$ 9,320</b>	<b>\$ 2,229</b>	<b>\$ (744,733)</b>	<b>\$ (722,970)</b>		
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 30,940	\$ 28,417	\$ 982	\$ 112,950	\$ 173,289		
Cash and cash equivalents, unrestricted and restricted, at beginning of year	218,455	188,589	66,834	683,558	1,157,436		
<b>Cash and cash equivalents, unrestricted and restricted, at end of year</b>	<b>\$ 249,395</b>	<b>\$ 217,006</b>	<b>\$ 67,816</b>	<b>\$ 796,508</b>	<b>\$ 1,330,725</b>		
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>							
Operating income (loss)	\$ 17,014	\$ 55,320	\$ (17,528)	\$ 64,702	\$ 119,508		
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>							
Interest on investments	(10,184)	(9,350)	(2,229)	(165,543)	(187,306)		
Decrease (increase) in fair value of investments	-	-	-	(62,345)	(62,345)		
Interest on bonds	-	-	-		120,541	120,541	
<b>Change in operating assets and liabilities:</b>							
Decrease (increase) in mortgage loans receivable	(710)	(9,163)	3,758	22,201	16,086		
Decrease (increase) in mortgage loans held for sale	-	-	-		9,108	9,108	
Decrease (increase) in accrued interest receivable on mortgage loans	-	-	7		126	133	
Decrease (increase) in other assets	3,809	113	2,067	(3,199)	2,790		
Decrease (increase) in deferred outflows of resources	(1,298)	-	-	(156)	(1,454)		
Increase (decrease) in accounts payable and other liabilities	2,645	-	(3,640)	1,083	88		
Increase (decrease) in deferred inflows of resources	(1,401)	-	-		3,362	1,961	
Increase (decrease) in unearned revenues	4,162	1,905	(340)		-	5,727	
<b>Total adjustments</b>	<b>\$ (2,977)</b>	<b>\$ (16,495)</b>	<b>\$ (377)</b>	<b>\$ (74,822)</b>	<b>\$ (94,671)</b>		
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 14,037</b>	<b>\$ 38,825</b>	<b>\$ (17,905)</b>	<b>\$ (10,120)</b>	<b>\$ 24,837</b>		

This audit report required 838 audit hours at a cost of \$121,900.



Our mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians.

*A self-supporting public agency.*

## **APPENDIX B**

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FORM OF APPROVING OPINION OF BOND COUNSEL  
WITH RESPECT TO SERIES 59 BONDS

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APPENDIX B  
LEGAL OPINION

Upon the delivery of the Series 59 Bonds, Womble Bond Dickinson (US) LLP, Bond Counsel to the Agency, proposes to issue its approving opinion in substantially the following form:

November [ ], 2025

North Carolina Housing Finance Agency  
Raleigh, North Carolina

We have acted as bond counsel to the North Carolina Housing Finance Agency (the "Agency") in connection with the authorization and issuance of the \$200,000,000 North Carolina Housing Finance Agency Home Ownership Revenue Bonds, Series 59-A (the "Series 59-A Bonds") and the \$99,000,000 North Carolina Housing Finance Agency Home Ownership Revenue Bonds, Series 59-B (the "Series 59-B Bonds") (1998 Trust Agreement) (collectively, the "Series 59 Bonds"). We have examined (i) the Constitution and laws of the State of North Carolina, including Chapter 122A of the General Statutes of North Carolina, as amended (the "Act"), (ii) certified copies of the proceedings of the Agency authorizing the issuance, sale and delivery of the Series 59 Bonds, (iii) executed originals of the Trust Agreement, dated as of May 1, 1998, by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2023 (the "Trust Agreement"), and the Fifty-Ninth Supplemental Trust Agreement, dated as of November 1, 2025 (the "Fifty-Ninth Supplemental Trust Agreement") pursuant to which the Series 59 Bonds are issued and (iv) other proofs submitted relative to the issuance and sale of the Series 59 Bonds.

The Series 59 Bonds are dated as of their date of delivery. The Series 59 Bonds are issued for the purposes of providing funds to the Agency, together with other available funds, to (a) refund certain Bonds previously issued under the Trust Agreement, (b) purchase Program Securities securitizing mortgage loans made to low and moderate income persons for single family residential housing in North Carolina, (c) purchase Series 59 DPA Loans as described in the Fifty-Ninth Supplemental Trust Agreement and (d) pay a portion of the costs of issuance of the Series 59 Bonds.

The Series 59 Bonds are issued under and pursuant to the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement. The Agency has heretofore issued fifty-eight series of Bonds under the Trust Agreement (the "Existing Bonds"). The Trust Agreement also provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional Bonds. The Existing Bonds, the Series 59 Bonds and any such additional Bonds are herein collectively referred to as the "Bonds."

The Series 59 Bonds are subject to redemption prior to their maturity at the times, in the manner and upon the terms set forth in the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement.

The Series 59 Bonds are subject to the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, that must be met subsequent to the issuance and delivery of the Series 59 Bonds in order that interest on the Series 59 Bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Agency has established procedures to meet the requirements of the Code. The Agency has also covenanted in the Fifty-Ninth Supplemental Trust Agreement to comply with the requirements of the Code, and in particular Sections 143 and 148 of the Code. Our opinion in paragraph 6 below with respect to the treatment of interest on the Series 59 Bonds for purposes of federal income taxation is rendered on the assumption that the Agency will carry out its procedures and comply with the aforementioned covenant contained in the Fifty-Ninth Supplemental Trust Agreement.

From such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Agency has been duly created as a body politic and corporate constituting a public agency and instrumentality of the State of North Carolina with good, right and lawful authority to carry out the program of purchasing the Program Obligations and to perform its obligations under the terms and conditions of the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement.
2. The Agency has duly authorized, executed and delivered the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement and such Agreements constitute legal, valid and binding agreements of the Agency, enforceable in accordance with their terms.
3. The Series 59 Bonds are valid and binding special obligations of the Agency secured by a valid pledge in the manner and to the extent set forth in the Trust Agreement, enforceable in accordance with their terms.
4. The Trust Agreement creates the valid and binding pledge it purports to create of the Program Obligations, Revenues and Prepayments (as such terms are defined in the Trust Agreement), and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement, to secure the payment of the Bonds in accordance with the terms thereof, subject to the provisions of the Trust Agreement permitting the disposition, use and payment thereof for or to the purposes and on the terms and conditions of the Trust Agreement. Such pledge shall become effective with respect to the assets and revenues so pledged immediately upon the receipt thereof by the Agency in the manner provided in the Trust Agreement.
5. The Series 59 Bonds do not constitute a debt, liability or obligation of the State of North Carolina or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision, but are payable solely from the revenues and assets of the Agency pledged therefor.
6. Assuming that the Agency will carry out the procedures mentioned above and comply with the covenants with respect to the Code contained in the Fifty-Ninth Supplemental Trust Agreement and other certificates and documents, interest on the Series 59 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 59 Bonds is not treated as a preference item in computing the alternative minimum tax imposed by the Code; however interest on the Series 59 Bonds held by certain corporations is included in the computation of "adjusted financial statement income" for purposes of computing the federal alternative minimum tax on such corporations.
7. Interest on the Series 59 Bonds is exempt from all income taxes of the State of North Carolina.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states, and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 59 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Series 59 Bonds and the enforceability thereof and of the Trust Agreement and Fifty-Ninth Supplemental Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

[To be signed "Womble Bond Dickinson (US) LLP"]

## **APPENDIX C**

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**SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED TRUST  
AGREEMENT AND THE FIFTY-NINTH SUPPLEMENTAL TRUST AGREEMENT**

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED TRUST AND THE FIFTY-NINTH SUPPLEMENTAL TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement.

#### Definitions

In addition to words and terms elsewhere defined in this Official Statement, the following words and terms have the following meanings under the Trust Agreement, the Supplemental Trust Agreements thereunder and as used in this Official Statement, unless some other meaning is plainly intended:

“Agency Mortgage Loan Default Advance” means an advancement by the Agency, at its discretion, from funds available to the Agency to a Principal/Special Redemption Account of an amount equal to the principal balance of a Program Loan the payment on which is delinquent for the lesser of ninety (90) calendar days or a sufficient time for the Agency to proceed with a claim for the benefits of any insurance or guaranty insuring or guaranteeing the payment of such Program Loan.

“Bank Bonds” means Bonds that are held by the provider of a credit facility or a liquidity facility securing payment of the principal or purchase price thereof pursuant to the terms of the credit facility or liquidity facility on account of a failed remarketing of the Bonds.

“Bond Insurance” means an irrevocable policy of municipal bond insurance, a guaranty agreement or any similar instrument issued or entered into with a municipal bond insurer assuring timely payment of principal and interest on all or a portion of a Series of Bonds.

“Borrower” means the borrower under a Program Loan.

“Capital Appreciation Bond” means any Bond or Bonds of a Series sold at a price less than the principal amount thereof payable at maturity, if such Bond or Bonds are designated as a Capital Appreciation Term or Serial Bond or Bonds (or such other term describing Bonds having the characteristics of Capital Appreciation Bonds) by the Supplemental Trust Agreement providing for the issuance of such Series of Bonds.

“Cash Flow Certificate” means a certificate that is filed as required or permitted by an Authorized Officer, which certificate, after taking into account the effect of the conditions or circumstances for which such certificate is required, will show that scheduled payments of principal and interest on the Program Obligations are such that the Revenues, including, without limitation, investment income (based on the investment rates reasonably expected by the Agency to be received from the investment of amounts held under the Trust Agreement and to be set forth in such certificate) on the Funds and Accounts available for such payments, excluding the investment of amounts held in the Insurance Reserve Fund, and the moneys held for the credit of the Debt Service Reserve Fund (and any Special Debt Service Reserve Account with respect to any Bonds secured by a Special Debt Service Reserve Account) shall be sufficient to pay when due the principal of, Sinking Fund Requirements on account of, and interest on the Bonds and the Program Expenses.

Each Cash Flow Certificate shall set forth the assumptions upon which the investments therein are based, which assumptions shall be based upon the Agency’s reasonable expectations at the time such Cash Flow Certificate is filed.

In determining the amount held in any Fund or Account under the Trust Agreement for purposes of preparing a Cash Flow Certificate, accrued but unpaid interest on amounts held in such Fund or Account invested in Investment Obligations shall be credited to the Fund or Account as if the same had been received and deposited

to such Fund or Account on the date of calculation. In determining the amount held in the Funds and Accounts under the Trust Agreement, amounts held under any Fund or Account created under a Supplemental Trust Agreement shall be included in the calculation, unless the Supplemental Trust Agreement expressly excludes such amounts.

“Compounded Amount” means the amount of principal and accrued interest of a Capital Appreciation Bond as of a given date determined in the manner provided in the Supplemental Trust Agreement authorizing the issuance of such Capital Appreciation Bond.

“Debt Service Reserve Requirement” means, as of any particular time of calculation, the sum of the amounts established in each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds secured by the Debt Service Reserve Fund as the portion of the Debt Service Reserve Requirement attributable to that Series (which amounts may decrease or increase over time in accordance with the terms of the Supplemental Trust Agreement). The portion of the Debt Service Reserve Requirement attributable to any Series of Bonds may be met through a deposit of cash, Investment Obligations or Reserve Alternative Instruments, or any combination thereof, as the case may be.

“Defeasance Obligations” means (a) noncallable Government Obligations and (b) Defeased Municipal Obligations.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are rated the highest rating category by each Rating Agency, the provision for the payment of the principal of, premium, if any, and interest on which shall have been made by deposit with a trustee or escrow agent of Government Obligations, the maturing principal of and interest on which, when due and payable, shall provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers. References in this definition to state or local government bond issuers shall mean the State of North Carolina, local government bond issuers, and, to the extent permitted by law, states other than the State of North Carolina and local government bond issuers other than North Carolina local government bond issuers.

“DPA Loan” means a loan made by the Agency to a borrower in connection with the origination of a Program Loan or a Securitized Mortgage Loan, which loan is made for down payment assistance and is made with proceeds of a Series of Bonds or other funds deposited to a Program Account. DPA Loans may have such programmatic features, including a zero-interest rate and principal reductions upon meeting prescribed terms, and may be secured on a subordinated basis, as are provided for herein. DPA Loans are “Program Loans” for purposes of the Trust Agreement.

“Federal Mortgage Agency” means the Government National Mortgage Association, Fannie Mae, Freddie Mac and any other public or private agency created by the United States Congress for the purpose of housing finance and which is an agency or instrumentality of the United States or sponsored thereby.

“FHA Insured Program Loan” means a Program Loan the payment of which is insured by the Federal Housing Administration under the National Housing Act of 1934, as amended.

“Financing Fees” means any fees, charges or deposits that are authorized to be collected by the Agency from a Borrower or a Lender in order for the Agency to assure that funds are available in the Program Fund to purchase a Program Obligation on behalf of a specific Borrower. Financing Fees may be refundable or non-refundable as shall be specified in the Supplemental Trust Agreement authorizing the issuance of the Bonds financing the segment of the Program for which such Financing Fees are paid. Financing Fee shall not be “Revenues” within the meaning of the Trust Agreement unless a Supplemental Trust Agreement specifically designates such funds as Revenues.

“Government Obligations” means direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government.

“Insurance Reserve Requirement” means, as of any particular time of calculation, the sum of the amounts, if any, established in each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds as the portion of the Insurance Reserve Requirement attributable to that Series (which amounts may increase or decrease over time in accordance with the terms of the Supplemental Trust Agreement). The portion of the Insurance Reserve Requirement attributable to any Series of Bonds may be met through a deposit of cash, Investment Obligations or Reserve Alternative Instruments, or any combination thereof, as the case may be.

“Interest Payment Date” means for any Bond the dates specified in the Supplemental Trust Agreement authorizing such Bonds as the “Interest Payment Date” therefor, notwithstanding that in respect of Capital Appreciation Bonds all or some portion of the interest is paid on a deferred basis.

“Investment Obligations” means

(1) Government Obligations,

(2) bonds, debentures, notes or other similar obligations (but not including “stripped” coupon obligations or the principal portion of any stripped obligation purchased in excess of par) issued by the Federal Intermediate Credit Bank, the Federal Home Loan Banks, Fannie Mae, the Bank for Cooperatives, the Federal Financing Bank, the Federal Farm Credit Bank, Freddie Mac, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the Federal Land Banks, if the timely payment of the principal of and interest thereon is secured by the full faith and credit of the United States of America,

(3) interest bearing time deposits or certificates of deposit or such other forms of deposit as the Local Government Commission may approve in any bank or trust company located outside or in the State, including a Depository, provided that such bank or trust company with which moneys are invested as herein provided: (i) is duly chartered under the laws of the United States or any state within the United States and authorized to engage in banking or trust activities, (ii) has a credit rating from a Rating Agency with respect to such bank’s or trust company’s long-term unsecured debt (or, if the debt of the bank is not rated, if its parent holding company has such a rating and the obligations of such institution are expressly and unconditionally guaranteed by the parent holding company) in one of its top two ratings categories, without regard to gradations within a category, and (iii) is approved by the Local Government Commission,

(4) deposits with the State Treasurer in an investment program established pursuant to Section 147-69.3 of the General Statutes of North Carolina,

(5) repurchase agreements that meet the requirements of Section 122A-11(5) of the General Statutes of North Carolina or any successor statute,

(6) participating shares in a mutual fund for North Carolina local governments if the investments of the fund are limited to those qualifying for investment under Section 159-30(c) of the North Carolina General Statutes, as amended, and the fund is certified by the Local Government Commission of North Carolina as a mutual fund permitted for local government investment;

(7) any other investment in which the Agency is authorized from time to time to invest the moneys held under the Trust Agreement, if such investment would not impair such Rating Agency's Rating then in effect with respect to any Bonds.

“Lender” means any bank or trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company, mortgage banking company, any governmental entity or other entity or institution authorized to transact mortgage lending business in the State, including the Agency and any local housing authority.

“Market Value” means the fair market value of property financed by a Program Loan, as demonstrated by an appraisal prepared by an appraiser acceptable to the Agency. “Mortgage” means a deed of trust or other instrument securing a Program Loan that, unless the Mortgage secures a Series 59 DPA Loan, constitutes a first lien upon the property secured thereby, subject to minor easements, rights of way, and similar exceptions customarily acceptable to lenders of funds secured by residential real property and acceptable to the Agency.

“Officer’s Certificate” means a certificate signed by an Authorized Officer, including certificates signed by an “electronic signature” of such Authorized Officer.

“Opinion of Counsel” means a written opinion of counsel who may (except as otherwise expressly provided in the Trust Agreement) be counsel for the Agency.

“Outstanding,” when used with reference to the Bonds, shall mean, as of a particular date, all Bonds theretofore authenticated and delivered under the Trust Agreement, except:

(1) Bonds theretofore canceled by the Trustee;

(2) Bonds for the payment or redemption of which moneys or Defeasance Obligations, or both, in the necessary amount have theretofore been deposited in separate accounts with the Trustee in trust for the Owners (whether upon or prior to maturity or the redemption date of such Bonds), the principal of and the interest on such Defeasance Obligations, if any, when due, providing sufficient moneys to pay, with such other moneys so deposited with the Trustee, the principal and redemption premium of and the interest on such Bonds being paid or redeemed; and

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Trust Agreement.

The Fifty-Ninth Supplemental Trust Agreement provides, however, that notwithstanding any deposit of moneys or Defeasance Obligations with the Trustee to be held in trust for the payment of all principal and interest on the Series 59-B Bonds, the Series 59-B Bonds shall nevertheless be “Outstanding” (not “defeased”) prior to the final payment of the Series 59-B Bonds.

“PMI Insured Program Loan” means a Program Loan the payment of which has been insured by a private mortgage insurance company that has been approved by Fannie Mae or Freddie Mac to insure mortgages purchased by them.

“Prepayments” means any moneys representing principal of a Program Obligation received or recovered by or for the account of the Agency from any payment of principal of any Program Obligation prior to the scheduled payment of principal called for by such Program Obligation, including, without limitation, (i) any payments of principal of any Program Obligation prior to the scheduled payment of principal called for by such Program Obligation, including any prepayment penalty, fee, premium or other additional charge as may be provided by the terms of such Program Obligation, (ii) amounts received upon the sale, assignment or other disposition of any Program Obligation, (iii) proceeds from the condemnation of any property financed by a Program Obligation, (iv) amounts received from any legal proceedings taken upon an event of default by a

Borrower, (v) any amounts received by the Agency from a claim under any mortgage insurance, mortgage guarantee, mortgage pool insurance, title insurance or hazard insurance (other than amounts to be applied to replace, repair or restore the property with respect to which the hazard insurance payment was paid), (vi) amounts received from the sale or other disposition, including pursuant to foreclosure proceedings, of any property financed under a Program Obligation, and (vii) transfers from the Insurance Reserve Fund or the Revenue Reserve Fund of amounts to cover the deficiencies between the principal amount of a Program Loan and the amount received by the Agency upon the disposition of the same from the proceeds of foreclosure and any applicable insurance or guaranty payments.

“Program” means the Agency’s program created under the Trust Agreement for the Agency to acquire Program Obligations and to hold the same, all for the purpose of assisting in providing housing to low and moderate income persons in the State.

“Program Expenses” means the Agency’s expenses of carrying out and administering its powers, duties and functions relating to the Program as authorized by the Enabling Act, including, without limiting the generality of the foregoing, administrative expenses, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee and Depositories, cost of issuance of Bonds not paid from proceeds of such Bonds, payments for pension, retirement, health and hospitalization and life and disability insurance benefits and any other expenses required or permitted to be paid by the Agency under the provisions of the Enabling Act or the Agreement, all to the extent such expenses are properly allocable to the Program in accordance with generally accepted accounting principles.

“Program Loan” means an obligation made or purchased by the Agency in order to finance or otherwise provide housing principally on behalf of households of low and moderate income with moneys in the Program Fund derived from the proceeds of, or otherwise made available in connection with the issuance of, Bonds pursuant to the Trust Agreement or that was purchased with the proceeds of bonds issued under another trust agreement or bond resolution of the Agency, which bonds were refunded by Bonds issued under the Trust Agreement. For purposes of Series 59 Bonds, Program Loans include Series 59 DPA Loans.

“Program Obligation” means any Program Loan or Program Security.

“Program Security” means an obligation representing an undivided interest in a pool of Program Loans, to the extent the payments to be made on such obligations are guaranteed or insured by a Federal Mortgage Agency, acquired by the Agency by the expenditure of funds from the Program Fund or that was purchased with the proceeds of bonds issued under another trust agreement or bond resolution, which bonds were refunded by Bonds issued under the Trust Agreement.

“Rating” means with respect to any Series of Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency, and an action which does not “impair” the Rating with respect to a Series of Bonds shall be an action that will not cause the Rating Agency to lower or withdraw the rating it has assigned to the Series of Bonds.

“Rating Agency” means any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued under the Trust Agreement.

“Reserve Alternative Instrument” means an insurance policy, surety bond, irrevocable letter of credit, guaranty or similar instrument deposited in any Fund or Account created under the Trust Agreement, including any Supplemental Trust Agreement, in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Debt Service Reserve Requirement, Insurance Reserve Requirement, a Special Debt Service Reserve Account Requirement or other requirement of such Fund or Account. The Reserve Alternative Instrument shall be payable to make the payments otherwise required to be paid from such Fund or Account in a timely manner. Except as provided in the Trust Agreement, the provider of a Reserve Alternative

Instrument shall be, at the time such Reserve Alternative Instrument is delivered to the Trustee (a) an insurer whose long term debt or claims paying ability has been assigned a rating by each Rating Agency in one of the two highest rating categories (without regard to gradations, such as “plus” or “minus,” of such categories), or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are assigned a rating by each Rating Agency in one of the two highest rating categories (without regard to gradations such as “plus” or “minus” of such categories). In the event that a Reserve Alternative Instrument is being delivered to provide all or a portion of a requirement of a Special Debt Service Reserve Account, then the Reserve Alternative Instrument and the requirements of the provider thereof shall meet the requirements set forth in the Supplemental Trust Agreement creating such Special Debt Service Reserve Account. Whenever for any purposes of the Trust Agreement the amounts on deposit in the Funds or Accounts under the Trust Agreement are required to be determined, the amount available to be drawn under any Reserve Alternative Instrument shall be deemed to be cash on deposit in the applicable Fund or Account.

“Reserve Fund Surety Bonds” means any surety bonds issued with regard to the Debt Service Reserve Fund Requirements or Insurance Reserve Fund Requirements for a particular series of Bonds.

“Revenues” means all payments of principal of and interest on the Program Obligations including both timely and delinquent payments (including late charges to the extent such late charges are collected by the Agency), including Prepayments, and investment earnings on any amounts held in any Fund or Account under the Trust Agreement to the extent said earnings are required pursuant to the Trust Agreement or a Supplemental Trust Agreement to be deposited to the Revenue Fund, but shall not include Escrow Payments, Program Obligation Accrued Interest or Financing Fees, or escrow fees or servicing fees received by a Servicer pursuant to a Servicing Agreement (including the Agency acting as Servicer).

“Securitized Mortgage Loan” means a mortgage loan obligation secured by real property located in the State that after origination is pooled with other mortgage loans to create a Program Security acquired by the Agency by the expenditure of amounts in a Program Account.

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in fixed installments on a fixed payment date, rather than through mandatory redemption in accordance with Sinking Fund Installments, as designated by the Supplemental Trust Agreement authorizing the issuance thereof.

“Series” means any issued or authorized to be issued at any one time pursuant to the Trust Agreement and authorized as “Series” of Bonds by the Supplemental Trust Agreement authorizing the issuance thereof.

“Series 59 DPA Loans” means loans that are made to Borrowers in connection with the origination of Series 55 Securitized Mortgage Loans, which loans are made for down payment assistance and are made with proceeds of the Series 59 Bonds deposited to the Series 59 Program Account. Series 59 DPA Loans may have such programmatic features, including a zero interest rate and principal reductions upon meeting prescribed terms, and may be secured on a subordinated basis, as are provided for in the Trust Agreement. Series 59 DPA Loans are “Program Loans” for purposes of the Trust Agreement.

“Servicer” means any bank or trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company and other mortgage banker or financial institution which shall service any of the Program Loans pursuant to a Servicing Agreement with the Agency, or the Agency if the Agency determines to service any Program Loans held pursuant to the Trust Agreement.

“Servicing Agreement” means an agreement between the Agency and a Servicer, if the Agency is not the Servicer, for the servicing of any of the Program Loans by the Servicer.

“Sinking Fund Calculation Period” means the period of time set forth in the Supplemental Trust Agreement authorizing the issuance of Term Bonds during which the Agency is to deposit to the credit of Principal/Special Redemption Account for the Series of Bonds an established amount to be applied to the purchase

or redemption of such Term Bonds in accordance with a Sinking Fund Requirement for such period also established in such Supplemental Trust Agreement.

“Sinking Fund Requirement” means, with respect to the Term Bonds of any Sinking Fund Calculation Period, the principal amount fixed or computed for such Sinking Fund Calculation Period for the retirement of such Term Bonds by purchase or redemption (or by payment at maturity in the case of the final Sinking Fund Requirement for any maturity).

“State Treasurer” means the Treasurer of the State of North Carolina.

“Subordinated Indebtedness” means all indebtedness incurred by the Agency in respect of the Program that is made payable from the Revenues, but only after the payments described below under the heading “Application of Revenues and Other Moneys” have been made, to the extent incurred in accordance with the requirements of the Trust Agreement.

“Supplemental Trust Agreement” means a resolution of the Board providing for the issuance of any particular Series of Bonds which is required to be executed and delivered prior to the issuance of such Series.

“Swap Agreement” means any interest rate swap agreement entered into by the Agency with a Swap Provider, pursuant to which the Agency and the Swap Provider agree to make payments thereunder with respect to a notional amount corresponding to Bonds for the purpose of effectively converting the interest rate on the Agency’s bonds bearing interest at a variable interest rate to a fixed interest rate, or converting the interest rate on the Agency’s bonds bearing interest at a fixed interest rate to a variable interest rate.

“Swap Agreement Periodic Payments” means payments required to be paid by the Agency under a Swap Agreement, other than Swap Agreement Termination Payments.

“Swap Agreement Termination Payments” means payments required to be paid by the Agency under a Swap Agreement in connection with the termination of the Swap Agreement, whether voluntarily or upon the occurrence of an event of default or similar event thereunder.

“Swap Provider” means any financial institution with which the Agency enters into an interest rate swap agreement with respect to Bonds.

“Term Bonds” means the Bonds of a Series designated Term Bonds in the Supplemental Trust Agreement authorizing the issuance thereof.

“Trustee” means the Trustee serving as such under the Trust Agreement, whether original or successor.

“USDA Guaranteed Program Loan” means a Program Loan the payment of which is guaranteed by the United States Department of Agriculture Rural Development under its loan guarantee program created under Title V of the Housing Act of 1949, or any successor program.

“VA Guaranteed Program Loan” means a Program Loan the payment of which is guaranteed by the United States Veterans Administration.

## **Additional Bonds; Supplemental Trust Agreements**

Bonds of the Agency may be issued under and secured by the Trust Agreement from time to time for the purpose of providing sufficient funds, with any other available funds, for (a) the making or purchase by the Agency of Program Obligations, (b) refunding Bonds of the Agency issued under the Trust Agreement or under trust agreements or bond resolutions other than the Trust Agreement, including the payment of any redemption premium thereon, (c) the payment of Program Expenses, (d) the payment of interest on such Bonds for the period

specified in the Supplemental Trust Agreement authorizing the issuance thereof, and (e) the making of any deposit to the credit of the Debt Service Reserve Fund, the Insurance Reserve Fund or a Special Debt Service Reserve Account required in connection with the issuance of such Series of Bonds.

Before any Bonds shall be issued under the Trust Agreement, the Agency and the Trustee shall enter into a Supplemental Trust Agreement authorizing the issuance of such Bonds fixing the amount and the details thereof. Such Supplemental Trust Agreement shall designate the Series of Bonds and shall set forth the authorized denominations, dates, maturities, interest rates, Interest Payment Dates, redemption provisions, Sinking Fund Requirements and other terms of the details of the Bonds authorized thereby. Each Supplemental Trust Agreement shall specify whether the Series of Bonds authorized thereby shall be entitled to the benefit of the Debt Service Reserve Fund, a Special Debt Service Reserve Account created under the Supplemental Trust Agreement or neither and shall specify the Debt Service Reserve Requirement or the requirement for the Special Debt Service Reserve Account in connection with the Bonds of such Series. Each Supplemental Trust Agreement shall specify the Insurance Reserve Requirement in connection with the Program Obligations to be financed with the proceeds of the Bonds issued thereunder. Each Supplemental Trust Agreement shall specify any requirements for the Program Obligations to be purchased with the proceeds of the Bonds authorized thereby, including how payment of such Program Obligations must be insured, guaranteed or otherwise secured. Each Supplemental Trust Agreement shall specify whether a policy of Bond Insurance will be delivered in connection with the issuance of such Bonds and provide any additional covenants and provisions with respect thereto.

## **Funds and Accounts**

The Trust Agreement and certain of the Supplemental Trust Agreements create the following Funds and Accounts:

- (a) Revenue Fund
- (b) Bond Service Fund
  - (i) Interest Account
  - (ii) Principal /Special Redemption Account for each Series of outstanding Bonds as provided below
  - (iii) Sinking Fund Principal Account
- (c) Swap Agreement Payment Fund
- (d) Reserve Alternative Instrument Payment Fund
- (e) Debt Service Reserve Fund
  - (i) Contribution Reserve Account
  - (ii) Equity Reserve Account
  - (iii) Proceeds Reserve Account
  - (iv) 1974 Appropriation Reserve Fund
- (f) Insurance Reserve Fund
  - (i) Insurance Reserve Equity Account

- (ii) Insurance Reserve Contribution Account
- (g) Optional Redemption Fund
- (h) Revenue Reserve Fund
  - (i) Revenue Funded Account
  - (ii) Equity Account
  - (iii) Revenue Reserve Refunding Account
- (i) TBA Loan Administrative Account
- (j) Program Fund and an Account for each Series of Bonds

A Supplemental Trust Agreement may provide for the creation of a Special Debt Service Reserve Account for the Bonds authorized by such Supplemental Trust Agreement and for the deposit of moneys to and withdrawal of moneys from such Account.

Pursuant to the Trust Agreement and the Supplemental Trust Agreements pursuant to which the existing Bonds have been issued, there has been created a special account within the Bond Service Fund designated the “Principal/Special Redemption Account” corresponding to the Series of Bonds (e.g. the “Series 59 Principal/Special Redemption Account”). In connection with the issuance of any new Series of Bonds, there shall be created a Principal/Special Redemption Account corresponding to the new Series.

Notwithstanding the creation of the Principal/Special Redemption Accounts and the deposit and application of funds as described below, all amounts deposited and held in the Bond Service Fund remain pledged for the benefit, security and protection of all present and future Owners of Bonds issued and secured under the Trust Agreement, without preference, priority or distinction as to lien or otherwise of any one Bond over any other Bond, except as may be specifically provided in a Supplemental Trust Agreement.

### **Program Fund**

Each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds shall create a separate account in the Program Fund for the Program Obligations associated with the Bonds of such Series.

Money held for the credit of any Program Account shall be used to pay the following costs of the Program relating to the Series of Bonds for which such Account was established:

- (a) the amount determined by the Agency to be required to make or purchase any Program Obligation;
- (b) Costs of Issuance;
- (c) interest on such Bonds to the extent set forth in the Supplemental Trust Agreement authorizing such Series of Bonds;
- (d) any obligation or expense heretofore or hereafter incurred or paid by the Agency for any of the items mentioned in clause (b) above; and
- (e) to pay, either at maturity or otherwise in accordance with their terms, any notes theretofore issued by the Agency to provide interim financing for any of the purposes for which Bonds may be issued pursuant to the Trust Agreement.

The Agency covenants that immediately after any moneys are paid by the Trustee to a Lender or other person, firm, or corporation for the making of or purchase by the Agency of any Program Loans, or any notes of the Agency are paid pursuant to the Trust Agreement, the Agency will physically deliver, or cause to be physically delivered, to the Trustee the note or other instrument evidencing each Program Loan made or acquired as a result of such payment.

The Trustee shall not apply any moneys in the Program Fund to the purchase of a Program Security unless arrangements have been made so that immediately after such use the Trustee shall hold, on behalf of the Owners, a first perfected security interest in such Program Security, either through physical delivery of such Program Security or adequate notation on book-entry records for book-entry only securities. No Program Security shall be financed unless such Program Security represents a pass through or participation in a pool of mortgage loans that the Agency is eligible to finance under the Enabling Act and the Program Security provides for a guaranty of all payments to be made thereunder by a Federal Mortgage Agency.

Any Program Obligation may be withdrawn from the Program Fund and transferred by the Trustee to the recipient directed by the Agency free and clear from any pledge, lien, security interest or other interest created under the Trust Agreement upon the delivery to the Trustee of an Officer's Certificate directing such transfer and certifying that:

- (a) such transfer is being made in order to provide for the redemption (whether optional or special, to the extent permitted by the applicable Supplemental Trust Agreement) or purchase of Bonds having a value corresponding to the value of the Program Obligation being withdrawn as reasonably estimated by the Agency and set forth in the Officer's Certificate; and
- (b) the proposed transfer of the Program Obligation to the Agency and the sale, assignment, transfer or other disposition thereof by the Agency would not have a material adverse effect on the ability of the Agency to pay the principal of, and interest on, and premium, if any on the Bonds as the same become due, and to pay the Program Expenses.

In the event that the payment on a Program Loan is delinquent for the lesser of ninety (90) calendar days or a sufficient time for the Agency to file a claim for the benefits of any insurance or guaranty insuring or guaranteeing the payment of such Program Loan, the Agency may at its option and in its discretion, advise the Trustee that it will advance to the Principal/Special Redemption Account for such Program Loan from any funds available to the Agency for such purpose an amount equal to the principal balance of the Program Loan in default. Upon the advancement of such amount by the Agency, the amount advanced shall be treated as a Prepayment of the Program Loan for all purposes of the Trust Agreement and the Supplemental Trust Agreement. If the Agency so advances funds to a Principal/Special Redemption Account, then any funds realized upon the foreclosure on the delinquent Program Loan or under any insurance policy or guarantee with respect to the payment of the delinquent Program Loan shall be deposited, upon receipt, to the credit of the fund or account from which the Agency advanced the funds and upon this deposit shall not be treated as a Prepayment under the Trust Agreement and the Supplemental Trust Agreement. Upon such deposit, the funds realized may be used for any purpose for which funds in the Revenue Reserve Fund may be used, and may be withdrawn from this Trust Agreement.

### **Pledge**

Pursuant to the Trust Agreement, the Agency has pledged for the security of the Bonds, subject to the provisions of the Trust Agreement:

- (a) All Program Obligations, Revenues, Program Obligation Accrued Interest, and Financing Fees and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement; and

(b) All money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to the Trust Agreement, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Trust Agreement as security only for a specified Series of Bonds and a Special Debt Service Reserve Account (hereinafter defined) and except money and securities held by or on behalf of the Trustee in the Revenue Reserve Refunding Account of the Revenue Reserve Fund and the TBA Loan Administration Fund, which are specifically excepted from such pledge.

The pledge of the moneys, securities and Funds and Accounts and of the Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees is valid and binding from and after the delivery of the first Bond delivered under the Trust Agreement. The Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees and other moneys and securities so pledged and then or thereafter received by the Agency shall immediately be subject to the lien of such pledge without any physical delivery or further act, except that the Program Obligations shall be subject to the lien of such pledge only after the delivery of the Program Loan notes to the Trustee and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof.

### **Application of Revenues and Other Moneys**

All Revenues, Program Obligation Accrued Interest and Financing Fees shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee or with a qualified Depositary or Depositaries designated by the Agency which shall receive the same as deposits of moneys held by the Trustee. The Trustee is only responsible for money actually deposited as described in the Trust Agreement.

All Revenues derived from payments of principal and interest on Program Obligations, other than Prepayments on DPA Loans, which shall be applied as provided below, shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee. The Trustee shall apply the amounts received as follows:

- (1) All amounts comprising the payment of interest on the Program Obligations shall be deposited by the Trustee to the credit of the Revenue Fund.
- (2) All other amounts received shall be deposited to the credit of the Principal/Special Redemption Account for the Series of Bonds that funded the purchase of the Program Obligations. If a Program Obligation was purchased with the proceeds or other funds associated with more than one Series of Bonds, the amount received shall be distributed pro rata among the Bonds of the Series.

Accordingly, the Fifty-Ninth Supplemental Trust Agreement provides that the Agency shall direct the Trustee to deposit principal payments on the Series 59 Program Obligations, whether constituting scheduled principal payments or Prepayments, to the Series 59 Principal/Special Redemption Account, to be applied as provided in the Fifty-Ninth Supplemental Trust Agreement as described in the Official Statement under the caption “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 59-B BONDS— Series 59 Principal/Special Redemption Account, and Disposition of Certain Funds.”

Prepayments on DPA Loans shall be collected by the Trustee and deposited directly to the Principal Account to be used to pay principal on the Series of Bonds that provided the funding for the purchase of the DPA Loan. Such amounts shall be applied to the payment of principal of the Serial Bonds of such Series on the next principal maturity date, and after the maturity of all Serial Bonds of such Series, shall be applied to the Sinking Fund Redemption of the Term Bonds of such Series on the next date the Term Bonds are to be redeemed in accordance with the Sinking Fund Requirements for the Series. In the event that at the time of receipt of a Prepayment of a DPA Loan the amount required to pay the next principal payment or Sinking Fund Redemption

on the Bonds of such Series is already funded in the Principal Account, the Prepayment shall nonetheless be deposited to the Principal Account for application.

Any Financing Fees attributable to a Series of Bonds received by the Agency shall be deposited by the Agency as received as shall be provided in the Supplemental Trust Agreement for such Series.

Any moneys or other assets received by the Trustee from the Agency with instructions that the same be deposited to the credit of any Fund or Account under the Trust Agreement shall be so deposited to such Fund or Account.

The Trustee, as of the last business day of each month, shall withdraw from the Revenue Fund and deposit to the credit of the following several Funds or Accounts, but as to each Fund or Account only within the limitation herein below indicated with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

First: To the credit of the Interest Account, to the extent, if any, needed to increase the amount in the Interest Account so that it equals the amount of interest then or to become within the next ensuing six months due and payable on the Bonds of each Series then Outstanding; provided, however, that if interest on any Bonds is payable on a periodic basis other than a semi-annual basis, then the deposit requirement for the Interest Account may be adjusted to reflect the payment of interest on such other periodic basis.

Second: To the credit of the Swap Agreement Payment Fund the amount, if any, needed to increase the amount in the Accounts therein so that the Accounts equal the amount estimated at the time of transfer to be necessary to pay to any Swap Providers the Swap Agreement Periodic Payments required to be paid during the ensuing six months. In the event that the Agency enters into more than one Swap Agreement and there are not sufficient funds at the end of a month to make all deposits to all Accounts of the Swap Agreement Payment Fund, amounts shall be deposited to the Swap Agreement Payment Fund and any other Account created with respect to a Swap Agreement on a pro rata basis.

Third: To the credit of the Reserve Fund Alternative Instrument Payment Fund the amount, if any, necessary make payments to the issuers of any Reserve Fund Alternative Instruments to reimburse such issuers for payments with respect to the Reserve Fund Alternative Instruments in accordance with the terms of the agreements between the Agency and such issuers in connection therewith.

Fourth: To the credit of the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement.

Fifth: To the credit of any Special Debt Service Reserve Account, to the extent, if any, needed to increase the amount in such Special Debt Service Reserve Account to the amount required to be on deposit therein by the Supplemental Trust Agreement creating such Special Debt Service Reserve Account; in the event that there are deficiencies in more than one Special Debt Service Reserve Account, to the extent there are insufficient funds to make the deposits required to be made to all Special Debt Service Reserve Accounts, the available amount shall be deposited to all of the Special Debt Service Reserve Accounts pro rata based upon the amounts then required to be deposited to each such Special Debt Service Reserve Account.

Sixth: To the credit of the Insurance Reserve Fund, to the extent, if any, needed to increase the amount in the Insurance Reserve Fund so that it equals the Insurance Reserve Requirement.

Seventh: To the credit of the Swap Agreement Payment Fund the amount, if any, needed to increase the amount in the Accounts therein so that the Accounts equal the amount necessary to pay to any Swap Providers any Swap Agreement Termination Payments then due and payable. In the event that the Agency enters into more than one Swap Agreement and there are not sufficient funds at the end of a month to make all deposits to all Accounts of the Swap Agreement Payment Fund to pay the Swap Agreement Termination Payments, amounts shall be deposited to the Swap Agreement Payment Fund and any other Account created with respect to a Swap Agreement on a pro rata basis.

Eighth: To the credit of the Revenue Reserve Fund, for deposit therein, the balance remaining.

A Supplemental Trust Agreement may provide for the deposit of Revenues to a Fund or Account created thereunder or for another application of Revenues prior to the deposit of remaining Revenues to the credit of the Debt Service Reserve Fund, a Special Debt Service Reserve Account, the Insurance Reserve Fund or the Revenue Reserve Fund; provided however, that the Supplemental Trust Agreement providing for such change in the application of Revenues shall not be effective without the prior written consent of any Swap Provider that is adversely affected by such change.

Amounts deposited to a Principal/Special Redemption Account shall be applied as follows, in the following order of priority:

First: The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Principal/Special Redemption Account for such Series and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series of Bonds pursuant to Section is the amount sufficient to pay the principal of all Serial Bonds of such Series maturing within the next six months shall be transferred to the Principal Account.

Second: The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Principal/Special Redemption Account for such Series and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series of Bonds is the amount sufficient to meet the Sinking Fund Requirements of the Term Bonds for the Series of Bonds to be redeemed within the next six months shall be transferred to the Principal Account.

Third: The amount, if any, needed to increase the amount in the Principal/Special Redemption Account for the Series of Bonds so that the amount on deposit therein is sufficient to redeem the Bonds of the Series, if any, that are required to be redeemed pursuant to their Special Redemption provisions from amounts deposited to the Principal/Special Redemption Account for the Series of Bonds in accordance with the Supplemental Trust Agreement for the Series of shall be applied to such redemption on the dates and in the amounts set forth in the Supplemental Trust Agreement for such Bonds.

Fourth: Any remaining amount shall be applied, at the direction of the Agency to (a) the Special Redemption of additional Bonds of the Series other than the Bonds required to be redeemed as described in the preceding paragraph; (b) redeem Bonds of another Series to the extent the Supplemental Trust Agreement authorizing the issuance of the other Series of Bonds allows for the Special Redemption of such Bonds from such amounts; or (c) transferred to the Program Account for the Series to purchase additional Program Obligations that meet the requirements of the Supplemental Trust Agreement pursuant to which the Principal/Special Redemption Account is created. Any Supplemental Trust Agreement may provide that principal payments deposited to the Principal/Special Redemption Account created thereby may be applied to redeem Bonds other than the Series of Bonds authorized thereby, and may provide any additional conditions that must be met prior to such a redemption.

The Agency may at any time purchase Bonds from the Owners thereof at such price as the Agency and the Owner agree, and delivered the Bonds to the Trustee for cancellation. If the Agency so purchases Term Bonds

and delivers the Term Bonds to the Trustee for cancellation, the remaining Sinking Fund Requirements for the maturity of Term Bonds delivered shall be reduced by the amount of the Term Bonds purchased and delivered, such reduction to be applied to the Sinking Fund Requirements for the dates and in the amounts specified to the Trustee by the Agency

### **Interest Account and Principal Account**

Except as described below, the Trustee shall, on each Interest Payment Date, remit payment of interest on the Bonds then due from the Interest Account.

If a Swap Agreement Periodic Payment is also due on a day that is an Interest Payment Date and on the prior Business Day there are not sufficient funds in the Swap Agreement Payment Fund to make such Swap Agreement Periodic Payment, then on such prior Business Day the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund an amount so that the sum of (i) the amount in the Interest Account for paying interest on the Bonds and (ii) the amount in the Swap Agreement Payment Fund to pay the Swap Agreement Periodic Payment are deposited pro rata among such amounts. If a Swap Agreement Periodic Payment is due on a date that is not an Interest Payment Date and on the Business Day prior to the date of the Swap Agreement Periodic Payment there are not sufficient funds in the Swap Agreement Payment Fund to make such Swap Agreement Periodic Payment, the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund an amount sufficient to pay the Swap Agreement Periodic Payment, unless the Trustee determines that sufficient funds will not be available in the Interest Account to pay interest on the Bonds on the next Interest Payment Date, in which event the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund the amount so that the sum of (i) the amount in the Interest Account for paying interest on Bonds on the next Interest Payment Date and (ii) the amount in the Swap Agreement Payment Fund to pay the next Swap Agreement Periodic Payment are held pro rata among such amounts.

The amount deposited to the Principal Account from the Principal/Special Redemption Account to be used for payment of maturing principal of Bonds shall be so applied on the maturity date. The amount deposited to the Principal Account from the Principal/Special Redemption Account to be applied on the sinking fund redemption date to redeem Term Bonds pursuant to the Sinking Fund Requirement therefor shall be so applied.

### **Optional Redemption Fund**

In addition to moneys held for the credit of the Principal Account or a Principal/Special Redemption Account to be applied to the mandatory sinking fund redemption or Special Redemption of Bonds, the Agency may at any time deliver to the Trustee funds from any lawful source, including the proceeds of refunding Bonds, and including funds that are not restricted as to use under the Trust Agreement, for deposit to the Optional Redemption Fund to be applied to the purchase of Bonds or portions of Bonds, or optional redemption of Bonds then subject to optional redemption, including the payment of premiums, if any.

### **Reserve Alternative Instrument Replacement Fund**

Amounts deposited to the Reserve Alternative Instrument Replacement Fund shall be applied to reimburse the issuer of the respective Prior Reserve Surety Bonds for the amount of drawings and to pay expenses with respect to drawings, including interest expenses, incurred by the Agency under agreements entered by the Agency in connection with the procurement of the Prior Reserve Fund Surety Bonds.

### **Swap Agreement Payment Fund**

Amounts deposited to the Swap Agreement Payment Fund shall be applied to make payments to any Swap Provider in accordance with the terms of the corresponding Swap Agreement as set forth in the Supplemental Trust Agreement. Funds in the Swap Agreement Payment Fund may be used to pay Swap Agreement Periodic Payments at the times and amounts set forth in the Swap Agreement. Funds in the Swap Agreement Payment

Fund may be used to pay Swap Agreement Termination Payments only if at the time of payment the Bond Service Fund, the Reserve Fund Alternative Instrument Payment Fund, the Debt Service Reserve Fund (including any Special Debt Service Reserve Account) and the Insurance Reserve Fund are fully funded to the then required level and all Swap Agreement Periodic Payments then due have been paid.

A Supplemental Trust Agreement may provide that to the extent an insurer or guarantor makes any payment to a Swap Provider to cover the obligation under a Swap Agreement of the Agency, such third party may become subrogated to the rights of the Swap Provider to receipt of such payment from the Agency, and if such a provision occurs, amounts paid by the an insurer or guarantor under the Swap Policy shall not be deemed paid for purposes of the Trust Agreement, and the obligations of the Agency under the Swap Policy shall continue to be due and owing.

### **Debt Service Reserve Fund**

Moneys deposited to the credit of the Debt Service Reserve Fund shall be credited to the Proceeds Reserve Account to the extent such moneys are proceeds of Bonds, to the Contribution Reserve Account to the extent that such moneys are derived from appropriations by the State to the Agency and to the Equity Reserve Account to the extent such moneys are not proceeds of Bonds or are not derived from appropriations by the State to the Agency. Any amounts deposited to the Debt Service Reserve Fund from the Revenue Fund as described above under the heading "Application of Revenues and Other Moneys" shall be credited to the Proceeds Reserve Account, Contribution Reserve Account or the Equity Reserve Account as necessary to replenish the amounts withdrawn from such respective Accounts as hereinafter described.

If at any time the moneys held for the credit of the Bond Service Fund, including moneys transferred from the Revenue Reserve Fund as described below under the heading "Revenue Reserve Fund" and any amounts transferred under Funds and Accounts created under any Supplemental Trust Agreement to the extent required to be transferred to the Bond Service Fund or an Account thereof, shall be insufficient to pay when due the interest, principal and Sinking Fund Requirements of the Bonds secured by the Debt Service Reserve Fund the Trustee shall transfer from the Debt Service Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up any such deficiency.

Amounts shall be transferred from the Debt Service Reserve Fund to the Bond Service Fund only to the extent necessary to pay the interest on and principal and Sinking Fund Requirements of Bonds secured by the Debt Service Reserve Fund. In the event that any portion of the Debt Service Reserve Requirement is being provided by a Reserve Alternative Instrument, the Trustee shall make such drawings under such Reserve Alternative Instrument, pursuant to the terms thereof, as shall be necessary so that the proceeds of such drawing shall be available to make the transfers to the Bond Service Fund required by this paragraph.

If at any time the moneys held for the credit of the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement and all transfers of moneys from the Debt Service Reserve Fund have been made, subject to certain provisions of the Trust Agreement, the Agency, by an Officer's Certificate, may instruct the Trustee to withdraw from the Debt Service Reserve Fund the amount of the excess therein over the Debt Service Reserve Requirement. If the Trustee is directed to make such withdrawal, the Trustee shall (i) if the withdrawal is from the Proceeds Reserve Account, deposit the amount withdrawn to the Optional Redemption Fund or a Principal/Special Redemption Account as shall be directed in such Officer's Certificate, or (ii) if the amount withdrawn is from the Contribution Reserve Account or the Equity Reserve Account, pay the amount as directed by the Agency, including depositing such amounts to the credit of the Optional Redemption Fund or a Principal/Special Redemption Account.

Any deficiency in the Debt Service Reserve Fund, whether resulting from a drawing on a Reserve Alternative Instrument or transfers of cash, may be satisfied through the deposit of additional moneys or the providing of an additional, or increase in a, Reserve Alternative Instrument. If a drawing under a Reserve Alternative Instrument occurs, amounts held in the Debt Service Reserve Fund shall be applied to reimburse the

issuer of the Reserve Alternative Instrument, including interest thereon, in connection with such drawing under such terms as shall be agreed upon between the Agency and the issuer of the Reserve Alternative Instrument.

### **Insurance Reserve Fund**

The Insurance Reserve Requirement with respect to each Series of Bonds, if any, is to be set forth in the Supplemental Trust Agreement authorizing the issuance of such Bonds. To date, The Insurance Reserve Requirement for each Series of Bonds, if any, has been a percentage of the Program Loans, other than DPA Loans, to be financed with the proceeds of the Bonds, with the percentage based upon whether the Program Loan is an FHA Insured Program Loan, a VA Guaranteed Program Loan, a USDA Guaranteed Program Loan, a PMI Insured Program Loan or a Program Loan that does not require insurance or a guaranty. There is no Insurance Reserve Requirement with respect to the Series 59 Bonds and the provisions of the Trust Agreement regarding the Insurance Reserve Fund do not apply to the Program Obligations deposited to the Series 59 Program Account.

The Insurance Reserve Requirement for any subsequent Series of Bonds, if any, will be set forth in the Supplemental Trust Agreement authorizing the issuance of such Bonds.

Money deposited in the Insurance Reserve Fund shall be used for the purpose of paying the portion of any loss with respect to a Program Loan in default that is not paid from any public or private insuring or guaranteeing agency. To the extent any amounts in the Insurance Reserve Fund are required to be applied to the payment of Bonds, the Agency is not required to replenish such amounts.

### **Revenue Funded Account of the Reserve Fund**

Money deposited in the Revenue Funded Account of the Reserve Fund shall be used in the following order of priority:

1. If at any time the Agency is required to make a Swap Agreement Periodic Payment, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to pay the applicable payment to the Swap Provider.
2. In the event there is a Swap Agreement Periodic Payment required to be paid by the Agency, and such payment is paid by an insurer or guarantor, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to reimburse the payment of the Swap Agreement Periodic Payment or a Swap Agreement Termination Payment by such insurer or guarantor.
3. If at any time the moneys held to the credit of the Bond Service Fund shall be insufficient to pay when due the interest, principal or the Sinking Fund Requirements of any Bonds, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up any such deficiency.
4. If at any time the Agency is required to make a Swap Agreement Termination Payment and sufficient funds are not available in the Swap Agreement Payment Fund, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to pay the Swap Agreement Termination Payment to the Swap Provider.
5. In the event there is a Swap Agreement Termination Payment required to be paid by the Agency, and such payment is paid by an insurer or guarantor, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to reimburse the payment of the Swap Agreement Termination Payment by such insurer or guarantor.

6. If the Agency is required to make a payment to the United States of America or to the borrowers under the Program Obligations in order for the Agency to comply with the applicable covenants made by the Agency regarding the exclusion of interest on the Bonds from federal income taxation, funds in the Revenue Funded Account of the Revenue Reserve Fund may be used for such purpose.

7. If Prepayments are received with respect to any defaulted Program Loan, funds in the Revenue Funded Account of the Revenue Reserve Fund may be transferred to the credit of the applicable Principal/Special Redemption Account, the amount, if any, by which the portion of such Prepayments to be deposited in such Principal/Special Redemption Account, representing the payment of principal on such Program Loan, is less than the amount by which the principal balance of the defaulted Program Loan has been reduced as a result of the receipt of such Prepayments.

8. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Agency any amount certified in an Officer's Certificate filed with the Trustee as necessary for the payment of real estate taxes, insurance, foreclosure fees, including appraisal and legal fees, and similar expenses incurred by the Agency in connection with the acquisition of any property secured by a mortgage on behalf of the Agency or expenses for repairs, rehabilitation, improvements, maintenance, renting or sale and similar expenses incurred by the Agency in connection with such property.

9. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Optional Redemption Account or any Principal/Special Redemption Account the amount specified to the Trustee by the Agency to redeem Bonds.

10. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to any Program Account the amount specified to the Trustee by the Agency in an Officer's Certificate for the purpose of paying Issuance Costs in connection with the issuance of a new Series of Bonds or to purchase additional Program Obligations.

11. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund the amount specified to the Trustee by the Agency in an Officer's Certificate for the purpose of paying Program Expenses if, as shown by an Officer's Certificate filed with the Trustee, the Agency has purchased and owns Program Obligations with scheduled payments of principal and interest such that the Revenues estimated by the Agency in good faith to be received from such Program Obligations, together with any other moneys estimated in good faith to be available for the payments hereinafter mentioned, including, without limitation, investment income on the Funds and Accounts available for such payments and the moneys held for the credit of the Debt Service Reserve Fund and any Special Debt Service Reserve Account, shall be sufficient to pay when due (i) the Program Expenses and (ii) the principal of, Sinking Fund Requirements on account of, and interest on the Bonds.

12. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Agency's General Fund the amount specified to the Trustee by the Agency in an Officer's Certificate, at any time by which (A) the amount in the Revenue Funded Account of the Revenue Reserve Fund, together with the amount in all other Funds and Accounts under the Trust Agreement (other than the Interest Account and the Insurance Reserve Account) and the outstanding principal balance of all Program Obligations exceeds (B) 102% of the Outstanding principal amount of Bonds; but only if as shown by an Officer's Certificate filed with the Trustee, the Agency has purchased and owns Program Obligations with scheduled payments of principal and interest such that the Revenues estimated by the Agency in good faith to be received from such Program Obligations, together with any other moneys estimated in good faith to be available for the payments hereinafter mentioned, including, without limitation, investment income on the Funds and Accounts available for such payments and the moneys held for the credit of the Debt Service Reserve Fund and any Special Debt Service Reserve Account, shall be sufficient to pay when due (A) the Program Expenses and (B) the principal of, Sinking Fund

Requirements on account of, and interest on the Bonds. For purposes of determining whether such a transfer to the General Fund may be made, investments in all Funds and Accounts shall be valued at cost plus amortization of discount or minus amortization of premium.

### **Revenue Reserve Equity Account of the Revenue Reserve Fund**

The Revenue Reserve Equity Account of the Revenue Reserve Fund is funded with available funds of the Agency that are not derived from Revenues hereunder. Amounts in the Revenue Reserve Equity Account are subject to all provisions of this Trust Agreement relating to the Revenue Funded Account of the Revenue Reserve Fund, including the provisions regarding the pledge of the Funds and Accounts under the Trust Agreement as provided herein and the provisions of Section 511 regarding the application of moneys in the Revenue Funded Account of the Revenue Reserve Fund.

### **1974 Appropriation Reserve Fund**

In addition to the foregoing, the Twelfth Supplemental Trust Agreement created the 1974 Appropriation Reserve Fund. In connection with the issuance of the Series 12 Bonds, the Agency deposited \$4,000,000 to the 1974 Appropriation Reserve Fund. If at any time the moneys held to the credit of the Bond Service Fund shall be insufficient to pay when due the principal and Sinking Fund Requirements of, and interest on, the Bonds, and if the amounts transferred to the credit of the Bond Service Fund from the Debt Service Reserve Fund and the Revenue Reserve Fund are insufficient to make up the deficiency, the Trustee shall transfer from the 1974 Appropriation Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up the deficiency.

The Board may from time to time by resolution direct the Trustee to withdraw any moneys held for the credit of the 1974 Appropriation Reserve Fund and pay such moneys to the Agency or to the trustee under a bond resolution or trust agreement of the Agency other than the Trust Agreement for deposit by the Agency or such trustee to the credit of one or more debt service reserve funds securing bonds of the Agency not issued under the provisions of the Trust Agreement.

### **Investment of Money**

Money held for the credit of each Fund and Account shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee, at the direction of the Agency, in Investment Obligations. The Investment Obligations may be purchased by the Trustee through its own investment division or other bank facilities established for such purpose.

### **Encumbrances**

The Agency covenants that it will not create or suffer to be created any lien, encumbrance or charge upon the Program Obligations, Revenues or Funds and Accounts pledged under the Trust Agreement except the pledge, lien and charge for the security of the Bonds secured hereby upon the Program Obligations, Revenues and Funds and Accounts, except as otherwise provided in the Trust Agreement.

To the extent of their respective rights therein, the Agency and the Trustee have granted to the Swap Provider(s) a security interest in the moneys, securities and Funds and Accounts and Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees (the "Trust Estate") to secure the obligations of the Agency to the Swap Providers under any Swap Agreements entered into by the Agency. Such security interest shall be subject and subordinate to the security interest in and pledge of the Trust Estate created in favor of the Trustee and the holders of the Bonds under the Trust Agreement and the security interest and pledge made by the Agency to the issuers of the Reserve Fund Surety Bonds to secure the payments required to be paid to such issuers in connection with drawings under such surety bonds from the Reserve Fund Surety Reimbursement Fund in accordance with the provisions of the Seventeenth Supplemental Trust Agreement.

The Agency may at any time issue indebtedness secured by a lien, pledge or other security interest in the Program Obligations, Revenues and Funds and Accounts pledged under the Trust Agreement if such indebtedness constitutes Subordinated Indebtedness. The Agency shall not incur such Subordinated Indebtedness unless:

- (i) Prior to incurring such Subordinated Indebtedness, the Agency shall file with the Trustee an Officer's Certificate to the effect that the incurrence of such Subordinated Indebtedness and the payment thereof from the Revenues and other amounts available will not materially and adversely affect the ability of the Agency to pay the principal of, Sinking Fund Requirements on account of, and interest on the Bonds then outstanding.
- (ii) The terms of such Subordinated Indebtedness shall provide that payment of such indebtedness shall be subordinate and junior in right of payment to the prior payment in the event (a) of any insolvency or bankruptcy proceedings, any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the Agency or the Program, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Agency or the Program whether or not involving insolvency or bankruptcy, (b) any Subordinated Indebtedness is declared or otherwise becomes due and payable before its stated maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinated Indebtedness was incurred, or (c) any Event of Default under the Trust Agreement shall occur and be continuing and (1) written notice of such default shall have been given to the Agency and (2) judicial proceedings shall be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on the Bonds and within 90 days in the case of any other default after the giving of such notice, then, for so long as any action described in clause (a), (b) or (c) hereof shall not have been remedied or cured in the opinion of the Trustee, the Owners of the Bonds shall be entitled to receive payment in full of all principal, premium and interest on all Bonds before the owners of the Subordinated Indebtedness are entitled to receive any payment on account of principal of or interest on the Subordinated Indebtedness, and to that end the Owners of the Bonds shall be entitled to receive for application in payment thereof any payment or distribution of any kind of character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of the Subordinated Indebtedness after giving effect to any concurrent payment or distribution in respect to the Bonds.

## **Records and Accounts**

The Agency covenants that promptly after the close of each Fiscal Year it will cause an audit to be made of its books and accounts by an independent firm of certified public accountants of recognized ability and standing. The Agency covenants that it will cause an annual report of the operations and accomplishments of each program of the Agency to be prepared. As soon as practicable thereafter, reports of each such audit and copies of each annual report shall be filed with the Trustee and the Local Government Commission, and copies of such reports shall be mailed to all Owners who have sent the Agency a written request for such reports.

## **Program Covenants**

The Agency shall do all such acts and things necessary to receive and collect Revenues and Escrow Payments, and to enforce the Servicing Agreements, as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Program Obligations. The Agency may, in its discretion, reduce the amounts to be collected under any Program Loan to the extent that such action is required in connection with the federal income tax requirements relating to the tax-exempt status of the Agency's Bonds.

The Agency shall not cause Bonds to be purchased or redeemed unless, after such purchase or redemption, there shall be no material adverse effect on the ability of the Agency to pay when due the principal of and the interest on, and any Sinking Fund Requirements on account of, the Bonds then Outstanding.

The Agency will make or purchase Program Obligations with the proceeds of such Bonds with scheduled payments of principal and interest such that the Revenues estimated by the Agency to be received from such Program Obligations, together with any other moneys estimated to be available will be sufficient to pay when due the principal of, Sinking Fund Requirements on account of, and interest on the Bonds.

The Agency will not cause money to be withdrawn from the Debt Service Reserve Fund unless an Authorized Officer shall determine in an Officer's Certificate which shall be filed with the Trustee at the time of such withdrawal that such amounts being so withdrawn are not likely to be needed while any Bonds are Outstanding under the provisions of the Trust Agreement for paying the principal of, Sinking Fund Requirements on account of, and interest on Bonds secured by the Debt Service Reserve Fund.

The Agency will not delay in the prosecution and collection of any claim for a mortgage insurance or guarantee payment to which it shall be entitled, permit any such delay under its control nor fail to elect to assign any Program Obligation whenever it shall be necessary to do so to obtain the benefits of mortgage insurance or guarantees. The Agency shall not delay in the prosecution or collection of any claim for insurance which it shall be entitled to make or permit any such delay under its control.

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

The Agency shall not expend for Program Expenses in any Fiscal Year more than is reasonable and necessary therefor.

## **Default and Remedies**

Each of the following events is an "Event of Default":

- (a) payment of the principal or Redemption Price of any of the Bonds is not made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) payment of any installment of interest on any of the Bonds is not made when the same shall become due and payable; or
- (c) the total amount deposited in the Sinking Fund Account in any applicable period set forth in a Supplemental Trust Agreement shall be less than the Sinking Fund Requirements for such period; or
- (d) final judgment for the payment of money is rendered against the Agency and any such judgment is not discharged within sixty (60) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment was granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or
- (e) an order or decree is entered, with the consent or acquiescence of the Agency, appointing a receiver or receivers of any Revenues or other money or assets, including the

Program Obligations pledged under the provisions of the Trust Agreement, or if such order or decree, having been entered without the consent or acquiescence of the Agency, is not vacated, discharged or stayed on appeal within ninety (90) days after the entry thereof; or

(f) any proceeding is instituted, with the consent or acquiescence of the Agency, for the purpose of effecting a composition between the Agency and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any Revenues or other moneys or assets, including the Program Obligations, pledged under the provisions of the Trust Agreement; or

(g) the Agency defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Trust Agreement or any Supplemental Trust Agreement on the part of the Agency to be performed, and such default continues for thirty (30) days after written notice specifying such default and requiring it to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if the default cannot be corrected within such thirty day period and the Agency is pursuing diligent efforts to cure such default, then an Event of Default shall not have occurred so long as the Agency continues diligent efforts to cure the default.

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, by a notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; subject to certain actions by the Agency to cure the Event of Default before the Bonds are paid.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all unpaid amounts then or during any default becoming and at any time remaining, due from the Agency for principal, interest or otherwise under any of the provisions of the Trust Agreement or of the Bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce any judgment or decree against the Agency, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money in the Funds and Accounts pledged to secure the Bonds under the provisions of the Trust Agreement and any other money available for such purpose) in any manner provided by law, the money adjudged or decreed to be payable.

If at any time the money in the Bond Service Fund shall not be sufficient to pay the interest on or the principal of the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purpose, including any money then held for the credit of any Funds and Accounts pledged to secure the payment

of the Bonds, whether through the exercise of the remedies provided for in this Article or otherwise, after payment of amounts then due to the Trustee, shall be applied as follows:

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

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds then due and payable and to any Swap Provider entitled thereto of any Swap Agreement Periodic Payment then due and payable, in each case in the order in which such payments became due and payable and, if the amount available shall not be sufficient to pay in full a particular installment of interest on the Bonds or Swap Agreement Periodic Payment, then to the payment, ratably, according to the amounts due on such installment, 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 the amount due on the Swap Agreement Periodic Payment;

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

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

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

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds then due and payable prior to maturity, if any, and to any Swap Provider entitled thereto of any Swap Agreement Periodic Payment then due and payable, in each case in the order in which such payments became due and payable and, if the amount available shall not be sufficient to pay in full a particular installment of interest on the Bonds or Swap Agreement Periodic Payment, then to the payment, ratably, according to the amounts due on such installment of interest on the Bonds and Swap Agreement Periodic Payment, 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 the amount due on the Swap Agreement Periodic Payment, and then to the payment of any interest due and payable after maturity on the Bonds, ratably, 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

second: to the payment of the principal of the Bonds, ratably, to the persons entitled thereto, without preference or priority of any Bond over any other Bond.

### **Control of Proceedings by the Owners**

The Owners of a majority in principal amount of the Bonds then Outstanding shall have the right, subject to the indemnification provisions described below to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

No Owner shall have any right to institute any suit, whether in equity or at law, on any Bond or for the execution of any trust under the Trust Agreement or for any other remedy unless such Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty per centum (20%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Nothing impairs the right of any Owner to enforce the payment of the principal of and interest on his Bond, or the obligation of the Agency to pay the principal of and interest on each Bond to the Owner thereof, at the time and place in said Bond expressed.

### **Concerning the Trustee**

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Trust Agreement, until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability.

Any bank or trust company acting as Trustee under the Trust Agreement, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under and secured by the Trust Agreement, may join in any action which any Owner may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Trust Agreement.

The Trustee may resign and thereby become discharged from the trusts hereby created by notice in writing to the Local Government Commission, the Agency and to all the Owners, but such resignation shall take effect immediately upon the appointment of a successor Trustee. If no Event of Default shall have occurred and be continuing, and no event that but for the giving of notice on the passage of time would become an Event of Default shall have occurred and be continuing, the Agency may remove the Trustee at any time. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Agency or of the Owners of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding.

### **Supplemental Trust Agreements**

The Agency and the Trustee may from time to time and at any time enter into such Agreements supplemental hereto to amend the provisions hereof as, in the opinion of the Agency and the Trustee, shall not materially adversely affect the interests of the Owners (which supplemental indentures shall thereafter form a part hereof), including supplemental indentures:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision therein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement which shall not be inconsistent with the provisions of the Trust Agreement, or

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

the Owners or the Trustee, including, without limitation, the issuance of bearer Bonds with appurtenant interest coupons, or

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to amend any of the provisions of the Trust Agreement to the extent required to permit compliance by the Agency with the Internal Revenue Code of 1986, as amended, and the regulations in effect thereunder, or

(e) to add to the covenants and agreements of the Agency in the Trust Agreement other covenants and agreements thereafter, to be observed by the Agency or to surrender any right or power herein reserved to or conferred upon the Agency, or

(f) to make any other change to the provisions of the Trust Agreement that do not materially impair the security of the Owners.

The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may consent to and approve the adoption by the Board of such other supplemental trust agreements as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding in any particular any of the terms or provisions contained in the Trust Agreement or in any supplemental indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a reduction in the principal amount or Redemption Price of any Bond, any Sinking Fund Requirement on account of the Bonds or the rate of interest on any Bond, (c) the creation of a lien upon or a pledge of the Program Obligations, Revenues and other money and assets pledged other than the lien and pledge created by the Trust Agreement, (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture without the consent of the Owners of all Bonds Outstanding under the Trust Agreement.

A Supplemental Agreement that relates only to the issuance of a particular Series of Bonds and that does not purport to alter or amend the rights or security of any Owners of any Bonds of any other Series shall not be deemed or considered to be a supplemental trust agreement for purposes of the amendment provisions.

### **Defeasance**

If, the Bonds have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Agency to the Trustee, the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds then Outstanding shall be paid or sufficient money, or Government Obligations the principal of and the interest on which when due will provide sufficient money to pay such whole amount, shall be held by the Trustee for such purpose under the provisions of the Trust Agreement, and provision shall also be made for paying all other sums payable by the Agency, then and in that case the right, title and interest of the Trustee under the Trust Agreement shall thereupon cease, determine and become void.

Notwithstanding any deposit of moneys or Defeasance Obligations with the Trustee to be held in trust for the payment of all principal and interest on the Series 59-B Bonds, the Series 59-B Bonds shall nevertheless be "Outstanding" (not "defeased") prior to the final payment of the Series 59-B Bonds.

## **APPENDIX D**

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### **BOOK-ENTRY-ONLY SYSTEM**

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## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 59 Bonds. The Series 59 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 59 Bond certificate will be issued for each maturity of the Series 59 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 59 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 59 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 59 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 59 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 59 Bonds, except in the event that use of the book-entry system for the Series 59 Bonds is discontinued.

To facilitate subsequent transfers, all Series 59 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 59 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 59 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 59 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 59 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 59 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 59 Bonds may wish to ascertain that the nominee holding the Series 59 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.

Redemption notices shall be sent to DTC. If less than all of the Series 59 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 59 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 59 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 59 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 59 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 59 Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 59 Bonds will be printed and delivered to DTC.

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

## **APPENDIX E**

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**SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE  
AND FREDDIE MAC CERTIFICATE PROGRAM**

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## APPENDIX E

### SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE AND FREDDIE MAC CERTIFICATE PROGRAM

#### **Ginnie Mae and the Ginnie Mae Certificates**

The summary and explanation of the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), Ginnie Mae's mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to the *Ginnie Mae Mortgage-Backed Securities Guide* (HUD Handbook 5500.3) (the “Ginnie Mae Guide”) and to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, the Ginnie Mae Guide and general information regarding Ginnie Mae can be accessed at <http://www.ginniemae.gov>. The Agency makes no representation regarding the content, accuracy or availability of the Ginnie Mae Guide or any information provided at such web site. Such web site is not part of this Official Statement. Further, the procedures and fees described below and in the Ginnie Mae Guide are those currently in effect and are subject to change at any time by Ginnie Mae.

Ginnie Mae is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. Ginnie Mae's powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

Ginnie Mae is authorized by Section 306(g) of the National Housing Act to guarantee the timely payment of the principal of and interest on securities (“Ginnie Mae Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen's Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the U.S. Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of HUD under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The Ginnie Mae Certificates are issued by approved servicers and not by Ginnie Mae. Ginnie Mae guarantees the timely payment of principal of and interest on the Ginnie Mae Certificates.

Section 306(g) of the National Housing Act further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities (which are set forth in “Ginnie Mae Guaranty Agreements”) are authorized to be made by Ginnie Mae and “would constitute general obligations of the United States backed by its full faith and credit.”

In its corporate capacity under Section 306(d) of Title III of the Housing Act, Ginnie Mae may issue its general obligations to the U.S. Department of the Treasury (“Treasury”) in an amount outstanding at any one time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Ginnie Mae Certificate. Treasury is authorized to purchase any obligations so issued by Ginnie Mae and has indicated in a letter dated February 13, 1970, from the Secretary of Treasury to the Secretary of HUD that Treasury will make loans to Ginnie Mae, if needed, to implement Ginnie Mae's guaranty. Ginnie Mae has covenanted to borrow from Treasury any amounts necessary to enable Ginnie Mae to honor its guaranty of the Ginnie Mae Certificates.

Ginnie Mae administers two guarantee programs – the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” The principal differences between the two programs relate to the interest rate structure of the mortgages backing the Ginnie Mae Certificates and the means by which principal and interest payments are made. These differences are not expected to affect adversely the availability of Revenues to pay principal of and

interest on the Series 59 Bonds. The Agency permits Mortgage Lenders to issue Ginnie Mae Certificates under either Ginnie Mae program.

To issue Ginnie Mae Certificates, the Master Servicer must apply for and receive Ginnie Mae's commitment to guarantee mortgage-backed securities ("commitment authority"). The Master Servicer is obligated to pay Ginnie Mae commitment fees. Ginnie Mae's commitment authority permits the Master Servicer to issue Ginnie Mae Certificates up to an approved dollar amount. Commitment authority expires in one year for single-family pools.

Each Ginnie Mae Certificate is to be backed by a separate mortgage pool consisting of qualified mortgages in a minimum aggregate amount of \$25,000. Under the Ginnie Mae I MBS Program, the Master Servicer will be required to pay to the Trustee, as the holder of the Ginnie Mae Certificates issued by the Master Servicer, the regular monthly installments of principal and interest on the Mortgage Loans that back those Ginnie Mae Certificates (less the Master Servicer's servicing fee, which includes a Ginnie Mae guaranty fee). Under the Ginnie Mae II MBS Program, the Master Servicer will be required to pay such amounts to the Paying and Transfer Agent for the Ginnie Mae II MBS Program (the "CPTA"), and the CPTA will be required to pay to the Trustee, as the holder of the Ginnie Mae Certificate, the regular monthly installments of principal and interest on the Mortgage Loans backing such Ginnie Mae Certificate.

Payment of interest and principal on each Ginnie Mae Certificate is required to be made in monthly installments by the 15th day of each month under the Ginnie Mae I MBS Program and by the 20th day of each month under the Ginnie Mae II MBS Program, commencing the month following the date of issue of the Ginnie Mae Certificate. In addition, each payment is required to include prepayments on Mortgage Loans underlying the Ginnie Mae Certificate that were received during the preceding calendar month.

Mortgage Loans underlying a particular Ginnie Mae Certificate issued pursuant to the Ginnie Mae I MBS Program must have the same annual interest rate. The annual Pass-Through Rate on each Ginnie Mae Certificate under the Ginnie Mae I MBS Program is 0.5% less than the annual interest rate on the Mortgage Loans included in the Mortgage pool backing that Ginnie Mae Certificate. Each Mortgage Loan in a Ginnie Mae II pool issued on or after July 1, 2003, must have a fixed interest rate that is at least 0.25% (but not more than 0.75%) higher than the interest rate on the related Ginnie Mae Certificate.

The Master Servicer is required to pay a monthly guaranty fee to Ginnie Mae for each Ginnie Mae Certificate for which the Master Servicer is the issuer of record. Ginnie Mae's monthly guaranty fee is computed based on the aggregate principal balance of the guaranteed securities outstanding at the beginning of the monthly reporting period. The monthly rate used to compute the fee is 0.06% (which may be reduced under Ginnie Mae's Targeted Lending Initiative) divided by 12. Under the Ginnie Mae program, the Master Servicer is responsible for servicing each pooled Mortgage Loans and is entitled to a servicing fee for each such loan. The servicing fee is based on and payable only from the interest portion of each monthly installment of principal and interest actually collected by the Master Servicer on the Mortgage Loan. The fee is equal to the difference between the interest rate on the Mortgage Loan and the interest rate on the Ginnie Mae Certificate for which it serves as collateral, computed on the same principal amount and for the same period as the interest portion of the installment. With respect to Ginnie Mae II MBS pools issued on and after July 1, 2003, the Master Servicer must ensure that the minimum servicing fee is 0.0% (which fee may be increased under Ginnie Mae's Targeted Lending Initiative).

It is expected that interest and principal payments on the Mortgage Loans received by the Master Servicer will be the source of payments on the Ginnie Mae Certificates. If those payments are less than what is due, the Master Servicer will be obligated to advance its own funds to ensure timely payment of all amounts coming due on the Ginnie Mae Certificates. Ginnie Mae guarantees such timely payment in the event of the failure of the Master Servicer to pay an amount equal to the scheduled payment (whether or not made by the Mortgagors). If the Master Servicer defaults on its obligations as an issuer of the Ginnie Mae Certificates (including loan servicing and certificate payment obligations), Ginnie Mae has the right to extinguish the Master Servicer's interest in the Mortgage Loans underlying such Ginnie Mae Certificates, in which case such Mortgage Loans will become the

absolute property of Ginnie Mae (subject only to the unsatisfied rights of the Trustee, as holder of the Ginnie Mae Certificates).

## **Fannie Mae and the Fannie Mae Certificates**

The summary and explanation of the Federal National Mortgage Association (“FNMA” or “Fannie Mae”), Fannie Mae’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to said documents for full and complete statements of their provisions. Said documents and the MBS Program are subject to change at any time by Fannie Mae. At the time of printing this Official Statement, general information regarding Fannie Mae (including, but not limited to, its financial condition and the status of its conservatorship) can be accessed at <http://www.fanniemae.com>. The Agency makes no representations regarding the content or accuracy of the information provided at such web site, and such web site is not part of this Official Statement.

In accordance with the Federal Housing Finance Regulatory Reform Act of 2008 (the “Regulatory Reform Act”), the Federal Housing Finance Agency (the “FHFA”) was named as the conservator of Fannie Mae on September 6, 2008. The Agency cannot predict the long-term consequences of the conservatorship of the Fannie Mae and the corresponding impacts, if any, on the Agency and the Fannie Mae Certificates (“Fannie Mae Certificates”) held under the Trust Agreement. On March 31, 2003, Fannie Mae registered its common stock with the Securities and Exchange Commission (“SEC”). As a result of this action, Fannie Mae is required to file periodic financial disclosures with the SEC under the Securities Exchange Act of 1934, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Agency makes no representations regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae with the SEC, any information provided at the SEC’s web site, or how long Fannie Mae will continue to file reports with the SEC. The SEC’s web site is not part of this Official Statement.

Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. Fannie Mae became a stockholder-owned and privately managed corporation in 1968. The Housing and Economic Recovery Act of 2008 (“HERA”) established the Federal Housing Finance Agency (“FHFA”), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae. Fannie Mae is subject to the supervision and regulation of FHFA to the extent provided in HERA, and the Director of FHFA has general regulatory authority over Fannie Mae to ensure that the purposes of HERA, the authorizing statutes and any other applicable laws are carried out. The Secretary of HUD also exercises general regulatory power over Fannie Mae.

The Agency cannot predict the long-term consequences of the federal conservatorship of Fannie Mae or of the future status of Fannie Mae and cannot predict the impact of any future proposal or legislation on the housing market or the corresponding impact on the Agency, the Fannie Mae Certificates held under the Trust Agreement or the MBS Program.

Fannie Mae operates in the secondary mortgage market by purchasing mortgages and mortgage-related securities, including Fannie Mae mortgage-related securities, from primary market institutions, such as commercial banks, savings and loan associations, mortgage companies, securities dealers and other investors. Fannie Mae provides additional liquidity in the secondary mortgage market by issuing and guaranteeing mortgage-related securities. Fannie Mae also offers fee-based services to its customers, such as issuing and administering a variety of mortgage related securities, providing credit enhancements and offering technology products to aid in originating and underwriting mortgage loans.

Fannie Mae operates various mortgage-backed securities programs pursuant to which Fannie Mae issues securities backed by pools of mortgage loan. The Fannie Mae Certificates described in this Official Statement represent beneficial ownership interests in pools of Mortgage Loans held in trust by Fannie Mae for the benefit of

the Trustee, as holder of the Fannie Mae Certificates. The Fannie Mae Certificates are issued by Fannie Mae pursuant to a trust indenture and supplements thereto (generally for certificates issued before June 1, 2007) or a trust agreement and supplements thereto (generally for certificates issued since June 1, 2007).

Information regarding the Fannie Mae Certificates is contained in a prospectus (each, a "Single-Family MBS Prospectus") and a prospectus supplement. Each Single-Family MBS Prospectus contains general information about pools issued during its effective period including, but not limited to, the nature of the guaranty, yield considerations, and the mortgage purchase programs. Each prospectus supplement includes information about the pooled Mortgage Loans backing a particular issue of Fannie Mae Certificates and about the certificates themselves. Copies of Single Family MBS Prospectuses and prospectus supplements are available at Fannie Mae's offices located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at <http://www.fanniemae.com>. The Agency makes no representation regarding the content, accuracy or availability of any such prospectus or supplement thereto, or any information provided at such web site. Fannie Mae's web site is not part of this Official Statement.

Payments on a Fannie Mae Certificate are required to be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or if such 25th day is not a Business Day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae generally is required to distribute to the Trustee an amount equal to the total of (1) the principal due on the Mortgage Loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution (each, a "due period"), (2) the stated principal balance of any Mortgage Loan that was prepaid in full during the month preceding the month of such distribution (including as prepaid for this purpose any Mortgage Loans repurchased by Fannie Mae because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive monthly installments (or eight consecutive biweekly installments) of principal and interest or because of Fannie Mae's election to repurchase such Mortgage Loan under certain other circumstances as permitted by Fannie Mae's trust indenture or trust agreement), (3) the amount of any partial prepayment of a Mortgage Loan received in the month preceding the month of distribution, and (4) one month's interest, at the fixed pass-through rate, on the principal balance of the Fannie Mae Certificate immediately prior to the distribution date.

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security ("UMBS"). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for "mirror" UMBS backed by the same loans as the existing securities. Proceeds of the Series 59 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Series 59 Certificates the term "Mortgage-Backed Securities" includes UMBS.)

Fannie Mae guarantees to holders of the Fannie Mae Certificates, on each distribution date, an amount equal to the borrowers' scheduled principal payments for the related due period, whether or not received, plus an amount equal to one month's interest on the Fannie Mae Certificates at the fixed pass-through rate stated in the prospectus supplement for such certificates. In addition, Fannie Mae guarantees the full and final payment of the unpaid principal balance of the Fannie Mae Certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the Fannie Mae Certificates. Fannie Mae's guaranty covers any interest shortfalls on the Fannie Mae Certificates arising from reductions in the interest rate of a Mortgage Loan due to application of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, and similar state laws.

Neither the Fannie Mae Certificates nor payments of principal and interest thereon are guaranteed by the United States government. The Fannie Mae Certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments on its guaranty.

If Fannie Mae was unable to perform its guaranty obligations, the Trustee would receive only the payments that borrowers actually made and any other recoveries on the Mortgage Loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on the Mortgage Loans would directly affect the amount of principal and interest that the Trustee would receive each month.

Fannie Mae establishes eligibility criteria and policies for the mortgage loans it purchases, for the sellers from whom it purchases loans, and for the servicers who service Fannie Mae's mortgage loans. Fannie Mae's eligibility criteria and policies are set forth in Fannie Mae's Selling and Servicing Guides (the "Fannie Mae Guides") and updates and amendments to such guides. Fannie Mae amends its Fannie Mae Guides and its eligibility criteria and policies from time to time.

The Charter Act requires that Fannie Mae establish maximum original principal balance dollar limitations for the conventional loans that it purchases. These limitations (referred to as conforming loan limits) typically are adjusted annually. For loans delivered during 2023, Fannie Mae's conforming loan limit for conventional loans secured by first liens on single-unit residences in the State of North Carolina is \$726,200. Fannie Mae's conforming loan limit for mortgage loans secured by subordinate liens on single-unit residences is 50% of the amount for first lien loans. In addition, the aggregate original principal balance of all the mortgage loans owned by Fannie Mae that are secured by the same residence cannot exceed the amount of the first lien conforming loan limit. The maximum loan-to-value ratio for FHA-insured and VA-guaranteed mortgage loans Fannie Mae purchases is the maximum established by the FHA or VA for the particular program under which the mortgage was insured or guaranteed. The maximum loan-to-value ratio for HUD guaranteed "Section 184" mortgage loans and RHS guaranteed mortgage loans Fannie Mae purchases is 100%. The Charter Act requires that Fannie Mae obtain credit enhancement whenever it purchases a conventional mortgage loan secured by a single-family residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to Fannie Mae covering the amount in excess of 80%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. Fannie Mae may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

Fannie Mae is responsible for servicing and administering the mortgage loans it purchases. Fannie Mae may contract with other entities to perform those functions under Fannie Mae's supervision and on Fannie Mae's behalf. The entity with whom Fannie Mae contracts may be the seller that sold the loans to Fannie Mae. Duties generally performed by the servicer include general loan servicing responsibilities, collection and remittance of payments on the mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary. Fannie Mae remains responsible to certificate holders for all the servicing and administrative functions related to the mortgage loans, even if it hires a servicer. Servicers are required to meet the eligibility standards and performance obligations in the Fannie Mae Guides. Fannie Mae may remove any servicer at any time Fannie Mae considers its removal to be in the certificate holders' best interest.

## **Freddie Mac and the Freddie Mac Certificates**

The following summary of the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), the Freddie Mac Guarantor Program, the Freddie Mac Certificates and Freddie Mac's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's current Mortgage Participation Certificates Offering Circular, any applicable Offering Circular and Pool Supplements, Freddie Mac's current Mortgage Participation Certificates Agreement, as amended, Freddie Mac's Information Statement, any Information Statement Supplements and any other documents made available by Freddie Mac. Copies of these documents can be obtained from Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102. At the time of printing this Official Statement, the documents mentioned above and general information regarding Freddie Mac (including, but not limited to, its financial condition and the status of its conservatorship) can be accessed at <http://www.freddiemac.com>. However, the Agency makes no representation regarding the content, accuracy or availability of any such document or any information provided at such web site. Such web site is not part of this Official Statement.

On July 18, 2008, Freddie Mac voluntary registered its common stock with the SEC, thereby subjecting Freddie Mac to reporting requirements applicable to registered securities. In addition, pursuant to the Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac, Freddie Mac is required to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Freddie Mac has filed with the SEC. The Agency makes no representations regarding the content, accuracy or availability of any such reports or information filed by Freddie Mac with the SEC, any information provided at on the SEC's web site, or how long Freddie Mac will continue to file reports with the SEC. The SEC's web site is not part of this Official Statement.

In accordance with the Regulatory Reform Act, the FHFA was named as the conservator of Freddie Mac on September 6, 2008. The Agency cannot predict the long-term consequences of the conservatorship of the Freddie Mac and the corresponding impacts, if any, on the Agency, the Freddie Mac Certificates held under the Trust Agreement or the MBS Program.

Freddie Mac is a shareholder-owned, government-sponsored enterprise chartered on July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1451-1459) (the "Freddie Mac Act").

Freddie Mac purchases and guarantees a variety of single-family mortgages. Most of these mortgages are conventional mortgages that are not guaranteed or insured by the United States or any of its agencies or instrumentalities. However, Freddie Mac purchases some mortgages that are fully insured by the Federal Housing Administration ("FHA") or guaranteed, in part, by the Department of Veterans Affairs ("VA") (collectively, "FHA/VA mortgages"). Freddie Mac operates a program in which purchases and pools single-family mortgages for the purpose of issuing mortgage participation certificates (including any Freddie Mac Certificates that may be purchased by the Trustee). These mortgage participation certificates represent beneficial ownership interests in pools of mortgages that Freddie Mac has purchased.

Freddie Mac is required to pay principal to the holders of its fixed-rate mortgage participation certificates on the 15th of each month (or, if the 15th is not a business day, the next business day), beginning in the month after the certificate is issued (each, a "Payment Date"). The principal balance of the mortgage pool underlying the certificate may differ from the aggregate principal balance of the underlying mortgages due to delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. Freddie Mac is required to account for any differences as soon as practicable.

The aggregate principal payment in any month on a fixed-rate mortgage participation certificate reflects: (i) the scheduled principal payments due on the mortgages in the related mortgage pool for the monthly reporting period ending in the current month; (ii) prepayments on the related mortgages as reported by servicers for the monthly reporting period ending in the previous month; and (iii) any adjustments necessary to reconcile the principal balance of the mortgage pool with the aggregate balance of the related mortgages reported to Freddie Mac by servicers. Freddie Mac is required to calculate the scheduled principal due on the related mortgages based upon the actual principal balance, interest rate and remaining term to maturity of each mortgage in the mortgage pool. Its calculation of scheduled principal may not reflect actual payments on the mortgages. Interest will accrue on each Freddie Mac during the calendar month preceding the month of the Payment Date at the interest rate specified for the mortgage participation certificate. The interest rate is set at the time of issuance and does not change. Interest accrues on the principal amount of a certificate as determined by its "pool factor" for the month preceding the month of the Payment Date.

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security ("UMBS"). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics

similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for “mirror” UMBS backed by the same loans as the existing securities. Proceeds of the Series 59 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Certificates the term “Mortgage-Backed Securities” includes UMBS.)

Freddie Mac guarantees to each holder of each mortgage participation certificate (i) the timely payment of interest at the applicable interest rate for the certificate; (ii) the timely payment of scheduled principal on the underlying mortgages; and (iii) the full and final payment of principal on the underlying mortgages by the Payment Date that falls in the latest month in which Freddie Mac reduces the related “pool factor” to zero.

**The obligations of Freddie Mac under its guarantees of mortgage participation certificates are obligations of Freddie Mac only. Such certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the mortgage participation certificate would consist solely of payment and other recoveries on the related mortgage. Accordingly, delinquencies and defaults on the mortgages would affect distributions on the certificates.**

The Freddie Mac Act limits the maximum original principal amount of single-family mortgages that Freddie Mac may purchase. These limits are referred to as “conforming loan limits.” For loans delivered during 2023, Fannie Mae's conforming loan limit for conventional loans secured by first liens on single-unit residences in the State of North Carolina is \$726,200 in all counties. The conforming loan limit for second-lien mortgages is 50 percent of the limit for first-lien mortgages on one-family dwellings. When Freddie Mac purchases both the first-lien and second-lien mortgage on the same property, the Freddie Mac Act provides that the total amount Freddie Mac may purchase may not exceed the applicable conforming loan limit.

The Freddie Mac Act also prohibits Freddie Mac from purchasing first-lien conventional single-family mortgages if the outstanding principal balance at the time of purchase exceeds 80 percent of the value of the real property securing the mortgage unless Freddie Mac have a level of credit protection (such as mortgage insurance from an approved mortgage insurer, a seller's agreement to repurchase or replace any mortgage that has defaulted) or the retention of at least a 10 percent participation interest in the mortgages by the seller. This requirement does not apply to FHA/VA mortgages.

The single-family mortgages purchased and guaranteed by Freddie Mac generally are subject to the credit, appraisal, underwriting and other purchase policies and guidelines set forth in Freddie Mac's *Single-Family Seller/Servicer Guide*. Freddie Mac may modify these guidelines or grant waivers for certain mortgages that it purchases. Freddie Mac services or supervises the servicing of the mortgages it purchases. In performing its servicing responsibilities, Freddie Mac may employ servicing agents or independent contractors. Each such servicer generally is required to perform all activities concerning the calculation, collection and processing of mortgage payments and related borrower inquiries, as well as all mortgage administrative responsibilities, including claims collection, workouts, foreclosures and reports. Servicers service mortgages, either directly or through approved subservicers, and receive fees for their services. Freddie Mac monitors a servicer's performance through periodic and special reports and inspections to ensure it complies with its obligations.

The interest rates of the mortgages in a mortgage pool underlying a fixed-rate mortgage participation certificate are within a range from (i) the certificate interest rate plus any minimum required servicing fee through (ii) 2.5% above the certificate interest rate. Subject to certain adjustments, Freddie Mac will retain from monthly interest payments on each mortgage a management and guarantee fee, which equals any interest received by Freddie Mac from the servicer over the amount of interest payable to holders of the certificate.

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## **APPENDIX F**

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SUMMARY OF THE SERIES 59 PROGRAM ACCOUNT AND PROGRAM LOANS

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## APPENDIX F

### SUMMARY OF THE SERIES 59 PROGRAM ACCOUNT AND PROGRAM LOANS

As described in the Official Statement, in connection with the issuance of the Series 59 Bonds, although the Agency plans to use Series 59 Bond proceeds deposited to the Series 59 Program Account to purchase only Program Securities, the Fifty-Ninth Supplemental Trust Agreement permits (under the conditions described in the Official Statement) the use of Series 59 Bond proceeds and certain Prepayments of Series 59 Program Obligations, to purchase new Program Loans.

**This Appendix F describes the provisions of the Trust Agreement and the Fifty-Ninth Supplemental Trust Agreement regarding the requirements for existing and any new Program Loans and the insurance or guaranty programs associated therewith.**

#### **The Series 59 Program Account and Program Loan Requirements**

Each Program Loan deposited to the credit of the Series 59 Program Account shall be secured by a Mortgage on the property financed thereby. Unless the Series 59 Program Loan is a Series 59 DPA Loan, the unpaid principal amount of a new Program Loan purchased with amounts in the Series 59 Program Account shall not exceed, at the time of the purchase thereof by the Agency, 80% of the Market Value of the property subject to the Mortgage unless the Program Loan is insured or guaranteed in one of the following ways:

- (1) if the Program Loan is an FHA Insured Program Loan, a VA Guaranteed Program Loan, or a USDA Guaranteed Program Loan, the applicable insurance or guaranty of the agency or instrumentality administering the insurance or guarantee program in an amount equal to the maximum coverage permitted for such Program Loan under the regulations of such agency or instrumentality; or
- (2) if the Program Loan is a PMI Insured Program Loan, a private mortgage insurance policy issued by a qualified insurer in an amount so that the principal amount of the Program Loan is not greater than 80% of the Market Value of the property secured thereby plus the maximum amount payable under such private mortgage insurance policy in the event of a default by the Borrower thereunder.

Each private mortgage insurance policy described in (2) above shall be issued by a private mortgage insurance company approved by Fannie Mae or Freddie Mac to insure mortgage loans purchased by them. The Agency shall not purchase a Program Loan insured by a private mortgage insurance company if the purchase of a Program Loan insured by such insurer would have an adverse effect on the ratings then in effect on the Series 59 Bonds.

The Agency shall require that the existing insurance or guarantee of Program Loans deposited to the Series 59 Program Account, and the insurance or guarantee required for new Program Loans shall remain in effect for so long as the Program Loan is held under the Trust Agreement and insurance or guaranty coverage is available with respect to such Program Loan under the insurance or guaranty program or policy with respect to such Program Loans. The insurance policy or guaranty may be cancelled or permitted to terminate as required by applicable law.

#### **Insurance and Guarantee Programs**

The Trust Agreement provides that the Supplemental Trust Agreement authorizing the issuance of a Series of Bonds for the Program shall specify any requirements for the Program Obligations to be purchased with the proceeds of the Bonds of such Series, including how such Program Obligations must be insured, guaranteed or otherwise secured.

The Fifty-Ninth Supplemental Trust Agreement provides that the Series 59 Program Loans must be secured by a mortgage on the property financed thereby and must be, except for Series 59 DPA Loans, insured or guaranteed in one of the following ways: (a) if the Program Loan is an FHA Insured Program Loan, a VA Guaranteed Program Loan, or a USDA Guaranteed Program Loan (as each of such terms is defined below), the applicable insurance or guarantee of the agency or instrumentality administering the insurance or guarantee program in an amount equal to the maximum coverage permitted for such Program Loan under the regulations of such agency or instrumentality; or (b) if the Program Loan is a Fannie Mae or Freddie Mac Conventional Private Mortgage Insured Program Loan, unless the Market Value of the property subject to the Mortgage is greater than 80% of the principal amount of the Series 59 Program Loan, a private mortgage insurance policy issued by a qualified insurer in an amount so that the principal amount of the Program Loan is not greater than 80% of the Market Value of the property secured thereby plus the maximum amount payable under such private mortgage insurance policy in the event of a default by the Borrower thereunder.

FHA Mortgage Insurance. Program Loans insured by FHA in the manner described below, are herein defined as “FHA-Insured Program Loans.” Sections 203 and 221 of the National Housing Act, as amended (the “Housing Act”), authorize the Federal Housing Administration (“FHA”) of the Department of Housing and Urban Development (“HUD”) to insure certain mortgage loans. Such mortgage loans must be in conformance with the maximum mortgage loan amount limitations and minimum down payment requirements specified in the Housing Act and regulations promulgated thereunder. In addition, the mortgagor under either of these programs must establish to the satisfaction of FHA that his or her income is adequate to meet the periodic payments required in the mortgage loan.

FHA administers the Section 203(k) loan program for the acquisition and rehabilitation of single family properties. Eligible borrowers obtain one mortgage loan to finance both the acquisition and the rehabilitation of the property. The mortgage amount may include funds for the purchase of the property, the costs incidental to closing the transaction, and the completion of the proposed rehabilitation. The mortgage proceeds allocated for the rehabilitation are escrowed at closing. Following loan closing, the FHA reviews the submission and, if found acceptable, issues a Mortgage Insurance Certificate to the lender. At this point, the lender is submitting a fully-insured Program Loan to the Agency for purchase.

Under the provisions of Section 184 of the Housing and Community Development Act of 1992, as amended (“Section 184”), HUD has the authority to guarantee loans for the construction, acquisition, rehabilitation, or refinancing of 1- to 4-family homes to be owned by Native Americans (as defined in Section 184) on eligible land (as defined in Section 184). Loans guaranteed under Section 184 must bear a fixed rate of interest and be in a principal amount not in excess of 97.75% of the appraised value of the property, excluding closing costs (98.75% if the appraised value is \$50,000 or less), but in no event in excess of 150% of the FHA loan limit for the area. The HUD guarantee under Section 184 is 100% of unpaid principal and interest plus reasonable fees and expenses for loans processed through foreclosure by the holder of the guarantee certificate of 100% of unpaid principal and interest for loans assigned to HUD without foreclosure.

All mortgages are subject to a mortgage insurance premium. The premium must be included in the proposed monthly housing expense for underwriting purposes.

Under the terms of either of the foregoing FHA insurance programs, a failure to make a mortgage payment (or to perform any other obligation under the mortgage), if continued for thirty (30) days, constitutes a default which would entitle the mortgagee to claim insurance benefits. The Housing Act gives authority to the Secretary of HUD (the “Secretary”) to settle claims for insurance benefits under mortgages insured under Sections 203 and 221 either in cash or debentures.

Insurance benefits are paid on foreclosure and conveyance of title. Benefit payments made by FHA on conveyed properties are equal to the unpaid principal amount of the mortgage loans plus certain tax, insurance and other payments made, and a portion of any foreclosure expenses incurred by the mortgagee, as well as interest from date of default at a rate equivalent to the debenture interest rate (which may be less than the interest rate of the insured mortgage), less certain amounts received or retained in respect of the mortgaged property.

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

To obtain title to and possession of the property under foreclosure, the Agency will pursue its rights under the power of sale contained in the mortgage subject to the constraints of applicable state law and HUD. HUD requires that absent the consent of the mortgagor, at least three full monthly installments be due and unpaid under the mortgage before the mortgagee may initiate any action leading to foreclosure of the mortgage. HUD also requires a face-to-face conference between the mortgagee and the mortgagor in an effort to cure the delinquency without foreclosure. These requirements do not apply where the mortgagor has voluntarily abandoned the mortgaged property or the property has been vacant for over 60 days, or the mortgagor has indicated in writing that he or she has no intention of fulfilling his or her obligations under the mortgage, in which case the mortgagee may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

VA Guarantee. Program Loans that are guaranteed as to payment by the United States Veterans Administration in the manner described in this Section are herein referred to as "VA Guaranteed Program Loans." The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a VA Guaranteed Program Loan covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee. The program has no mortgage loan limits (other than that the amount may not exceed the property's reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guarantee of VA Guaranteed Program Loans with terms of up to 30 years.

The guarantee provisions for VA Guaranteed Program Loans are as follows: (a) for home and condominium loans of \$45,000 or less, 50 percent of the loan is guaranteed (for loans with an original principal balance of \$45,000 and not more than \$56,250, the guarantee will not exceed \$22,500); (b) for home and condominium loans of more than \$56,250 but less than or equal to \$144,000, 40 percent of the loan is guaranteed subject to a maximum guarantee of \$36,000; (c) for home and condominium loans of more than \$144,000, 25 percent of the principal amount of the loan is guaranteed, up to a maximum loan amount of \$417,000, for loans greater than \$417,000 the lesser of 25% of the loan amount or VA county limit; and (d) for loans for manufactured homes, 40 percent of the loan is guaranteed (with a maximum guarantee of \$20,000) (modular homes are treated in the same manner as traditional homes). The Agency does not allow purchases of manufactured homes that are not permanently affixed and are not considered real property.

The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guarantee as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

USDA Guarantee. Program Loans guaranteed by the United States Department of Agriculture, Rural Development are herein referred to as "USDA-Guaranteed Program Loans." Title V of the Housing Act of 1949 permits USDA to provide mortgage guarantees for single family rural housing loans. A USDA guarantee constitutes an obligation supported by the full faith and credit of the United States.

The maximum loss payment under a USDA guarantee will be the lesser of:

- (1) Any loss of an amount equal to 90 percent of the principal amount actually advanced to the mortgagor, or
- (2) An amount up to 35 percent of the principal amount actually advanced to the mortgagor, plus any additional loss sustained by the lender of an amount up to 85 percent of the remaining 65 percent of the principal amount actually advanced to the mortgagor.

Loss includes only (1) principal and interest evidenced by the note; (2) any loan subsidy due and owing; and (3) any principal and interest indebtedness on USDA approved protective advances for protection and preservation of collateral. Interest is covered by the guarantee to the date of the final loss settlement when the lender conducts liquidation of collateral in an expeditious manner. Net proceeds received from liquidation of the collateral will be used in calculating the amount of loss sustained. If the lender acquires the collateral, the net proceeds from collateral for calculating loss shall be determined by the USDA as follows: (i) the USDA will have the collateral appraised at its current market value as of the date of acquisition by the lender, then (ii) deduct from such appraised value an estimate of liquidation costs which will include an allowance for the estimated time the property will be held by the lender. The USDA will pay its claim based on an appraisal after foreclosure has occurred rather than upon the sale of the property.

Private Mortgage Insurance. Program Loans that are insured by a policy of private mortgage insurance in the manner described in this Section are herein referred to as "Private Mortgage Insured Program Loans."

The Fifty-Ninth Supplemental Trust Agreement provides that a "Private Mortgage Insured Program Loan" is any Program Loan purchased with the proceeds of the Series 59 Bonds that is insured by a private mortgage insurance company that has been approved by Fannie Mae or Freddie Mac to insure mortgage loans purchased by them. The federal Homeowners Protection Act of 1998 requires the automatic termination of private mortgage insurance for any mortgage loan incurred after July 1999 if payments are current on the loan and the loan to value ratio is 78% or less. In addition, borrowers who are current on their mortgage loan payments are entitled to termination of private mortgage insurance requirements upon request if the loan to value ratio is 80% or less based on a current valuation. For purpose of determining the loan to value ratio without a current valuation, the value of the subject property is the lesser of the contract sales price and the appraised value at the time the mortgage loan is made. The Agency will not require (and cannot require) borrowers to maintain private mortgage insurance after the borrower is entitled to termination of the private mortgage insurance in accordance with federal law.

The Fifty-Ninth Supplemental Trust Agreement provides that at the option of the Agency, the insurance policy on a Private Mortgage Insured Program Loan may be cancelled or permitted to terminate as required by applicable law. The Agency makes no representation regarding the financial condition of any of the entities that have issued policies of Private Mortgage Insured Program Loans under the Trust Agreement. Information regarding specific private mortgage insurance companies should be obtained from the respective company.

Uninsured and Non-Guaranteed Loans. In addition to FHA Insured Program Loans, VA Guaranteed Program Loans, USDA Guaranteed Program Loans and Private Mortgage Insured Program Loans, the Fifty-Ninth Supplemental Trust Agreement provides that the Agency may purchase any other Program Loan so long as, at the time of purchase of the Program Loan by the Agency, the unpaid principal amount of the Program Loan does not exceed 80% of the Market Value of the property that is subject to the Mortgage securing such Program Loan, except or in conjunction with a Series 59 DPA Loan.

Other Loan and Guarantee Programs. Future supplemental trust agreements may permit the Agency to purchase Program Obligations having insurance and guarantee features different from those described above.

### **Standard Hazard Insurance**

Each mortgagor is required to obtain and maintain for the mortgaged property a standard hazard and casualty insurance policy in an amount which is not less than (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the Program Loan. The standard hazard and casualty insurance policy is required to be written by an insurance company qualified to do business in the State and having a current general policyholder's rating in Alfred M. Best's Insurance Reports of B and a financial size category of Class VIII or better.

In general, a standard homeowner's form of fire with extended coverage policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike, and civil commotion, subject to the conditions and exclusions particularized in each policy.

Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water-related causes, earth movement (including earthquakes, landslides and mudslides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism.

Flood insurance is required to be obtained and maintained by mortgagors whose mortgaged property is in an area designated by HUD as having special flood hazards and for which flood insurance is available under the National Flood Insurance Program. The limit of flood insurance must be the lowest of (i) the unpaid principal balance of the Program Loan, (ii) the full insurable value of the mortgaged property, and (iii) the maximum amount of flood insurance available.

### **Servicing Agreements**

For the Program Loans associated with the FirstHome Mortgage program, the Agency and each Agency-approved Servicer (the “FirstHome Servicer”) have entered into a servicing agreement for the servicing of Program Loans purchased by the Agency (the “FirstHome Servicing Agreements”). Each FirstHome Servicing Agreement provides for an annual servicing fee in an amount no more than 3/8<sup>ths</sup> of 1% of the principal balance, computed monthly, of each non-delinquent Program Loan serviced thereunder for which payments of principal and interest have been received by the FirstHome Servicer.

The FirstHome Servicing Agreements will require the FirstHome Servicers to perform all services and duties customary to the servicing of mortgages, including, among other things, inspecting the mortgaged premises when payments by a mortgagor have become delinquent or upon request of the Agency, collecting all payments due with respect to each Program Loan, and applying properly and rendering an accounting to the Agency of all sums collected from a mortgagor for payment of principal and interest, taxes, assessments and hazard and mortgage insurance premiums. In the event a mortgagor fails to make a payment when due or in the event of any default on a Program Loan, each FirstHome Servicer must give notice to the Agency and, in the event of default, is also obligated, unless otherwise notified by the Agency, to take all actions necessary and proper to collect the applicable mortgage insurance and to enforce the applicable contractual provisions, including, if necessary, instituting foreclosure proceedings and managing the mortgaged property. Agency-approved foreclosure and related expenses shall be borne by the Agency.

Under FirstHome Servicing Agreements the FirstHome Servicers must deposit all funds received on account of Program Loans being serviced in segregated accounts in a state or national bank or savings and loan association acceptable to the Agency and in which deposits are insured by the Federal Deposit Insurance Corporation, which may be the FirstHome Servicer, and in segregated accounts in the Federal Home Loan Bank, and must hold the accounts as trustee for the Agency and the various mortgagors. From the funds so deposited the FirstHome Servicer must pay, when due, mortgage and hazard insurance premiums, taxes and assessments. Once a month or at any time when the amount on deposit exceeds the insured amount, the FirstHome Servicer is to remit to the Trustee the total amount of all payments of principal and interest. Prepayments of the Program Loans, proceeds of mortgage insurance, condemnation proceeds, proceeds resulting from action taken with respect to a defaulted Program Loan, and proceeds of hazard insurance that will not be used to restore or rehabilitate the mortgaged property shall be remitted as they are received.

The FirstHome Servicing Agreements will require FirstHome Servicers to maintain hazard and casualty insurance on each of the mortgaged premises in an amount sufficient to ensure that the Agency will not become a co-insurer under the terms and conditions of the applicable policy or policies. The FirstHome Servicer must also comply, as to each Program Loan, with all rules and requirements of the Agency and the applicable rules and requirements of the insurance or guarantee program with respect to Program Loans, and must at all times keep such insurance in full force and effect. See “Standard Hazard Insurance” above. In addition, each FirstHome Servicer must maintain blanket bond coverage as customarily used in the mortgage banking industry, including among other provisions, fidelity coverage and insurance against losses resulting from the errors and omissions of the FirstHome Servicer.

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## **APPENDIX G**

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DEBT OUTSTANDING AS OF JUNE 30, 2025

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**APPENDIX G**  
**DEBT OUTSTANDING AS OF JUNE 30, 2025**

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
0.500	Series 47	Fixed	7/1/25	\$2,005,000	\$2,005,000	0.056%
0.550	Series 47	Fixed	1/1/26	2,020,000	4,025,000	0.111%
0.600	Series 46-A	Fixed	7/1/25	1,155,000	5,180,000	0.143%
0.650	Series 46-A	Fixed	1/1/26	1,170,000	6,350,000	0.176%
0.650	Series 47	Fixed	7/1/26	2,035,000	8,385,000	0.232%
0.700	Series 45	Fixed	7/1/25	2,750,000	11,135,000	0.308%
0.750	Series 46-A	Fixed	7/1/26	1,170,000	12,305,000	0.341%
0.800	Series 47	Fixed	1/1/27	2,045,000	14,350,000	0.397%
0.875	Series 45	Fixed	1/1/26	2,775,000	17,125,000	0.474%
0.900	Series 46-A	Fixed	1/1/27	2,805,000	19,930,000	0.552%
0.950	Series 45	Fixed	7/1/26	2,780,000	22,710,000	0.629%
0.950	Series 47	Fixed	7/1/27	2,060,000	24,770,000	0.686%
1.000	Series 46-A	Fixed	7/1/27	2,770,000	27,540,000	0.763%
1.050	Series 45	Fixed	1/1/27	2,800,000	30,340,000	0.840%
1.050	Series 47	Fixed	1/1/28	2,080,000	32,420,000	0.898%
1.100	Series 47	Fixed	7/1/28	2,100,000	34,520,000	0.956%
1.100	Series 46-A	Fixed	1/1/28	2,680,000	37,200,000	1.030%
1.125	Series 45	Fixed	7/1/27	2,825,000	40,025,000	1.108%
1.130	Series 46-B	Fixed	7/1/25	1,655,000	41,680,000	1.154%
1.200	Series 46-A	Fixed	7/1/28	2,600,000	44,280,000	1.226%
1.230	Series 46-B	Fixed	1/1/26	1,635,000	45,915,000	1.271%
1.250	Series 47	Fixed	1/1/29	2,115,000	48,030,000	1.330%
1.300	Series 45	Fixed	1/1/28	2,835,000	50,865,000	1.408%
1.300	Series 46-A	Fixed	1/1/29	2,565,000	53,430,000	1.479%
1.330	Series 46-B	Fixed	7/1/26	1,650,000	55,080,000	1.525%
1.350	Series 45	Fixed	7/1/28	2,865,000	57,945,000	1.604%
1.350	Series 47	Fixed	7/1/29	2,135,000	60,080,000	1.664%
1.400	Series 46-A	Fixed	7/1/29	2,510,000	62,590,000	1.733%
1.450	Series 47	Fixed	1/1/30	2,160,000	64,750,000	1.793%
1.500	Series 42	Fixed	7/1/25	1,355,000	66,105,000	1.830%
1.500	Series 45	Fixed	1/1/29	2,900,000	69,005,000	1.911%
1.550	Series 42	Fixed	1/1/26	1,385,000	70,390,000	1.949%
1.550	Series 45	Fixed	7/1/29	2,900,000	73,290,000	2.029%
1.550	Series 46-A	Fixed	1/1/30	2,520,000	75,810,000	2.099%
1.550	Series 47	Fixed	7/1/30	2,180,000	77,990,000	2.160%
1.600	Series 42	Fixed	7/1/26	1,390,000	79,380,000	2.198%
1.600	Series 43	Fixed	7/1/25	1,445,000	80,825,000	2.238%
1.625	Series 46-A	Fixed	7/1/30	2,450,000	83,275,000	2.306%
1.650	Series 45	Fixed	1/1/30	2,940,000	86,215,000	2.387%
1.650	Series 47	Fixed	1/1/31	2,210,000	88,425,000	2.448%
1.650	Series 47	Fixed	7/1/31	2,235,000	90,660,000	2.510%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
1.700	Series 42	Fixed	1/1/27	\$1,425,000	\$92,085,000	2.550%
1.700	Series 44	Fixed	7/1/25	1,365,000	93,450,000	2.588%
1.700	Series 45	Fixed	7/1/30	2,960,000	96,410,000	2.670%
1.750	Series 42	Fixed	7/1/27	1,425,000	97,835,000	2.709%
1.750	Series 43	Fixed	1/1/26	1,465,000	99,300,000	2.750%
1.750	Series 43	Fixed	7/1/26	1,470,000	100,770,000	2.790%
1.750	Series 44	Fixed	1/1/26	1,360,000	102,130,000	2.828%
1.750	Series 46-A	Fixed	1/1/31	2,390,000	104,520,000	2.894%
1.750	Series 47	PAC	1/1/32	2,260,000	106,780,000	2.957%
1.800	Series 44	Fixed	7/1/26	1,395,000	108,175,000	2.995%
1.800	Series 47	Fixed	7/1/32	2,285,000	110,460,000	3.059%
1.800	Series 42	Fixed	1/1/28	1,450,000	111,910,000	3.099%
1.800	Series 45	Fixed	1/1/31	3,010,000	114,920,000	3.182%
1.800	Series 46-A	Fixed	7/1/31	2,380,000	117,300,000	3.248%
1.850	Series 42	Fixed	7/1/28	1,450,000	118,750,000	3.288%
1.850	Series 43	Fixed	1/1/27	1,480,000	120,230,000	3.329%
1.850	Series 47	Fixed	1/1/33	2,320,000	122,550,000	3.393%
1.850	Series 46-A	Fixed	1/1/32	2,225,000	124,775,000	3.455%
1.875	Series 45	Fixed	7/1/31	3,025,000	127,800,000	3.539%
1.875	Series 46-A	Fixed	7/1/32	2,090,000	129,890,000	3.597%
1.900	Series 42	Fixed	1/1/29	1,490,000	131,380,000	3.638%
1.900	Series 42	Fixed	7/1/29	1,500,000	132,880,000	3.679%
1.900	Series 43	Fixed	7/1/27	1,500,000	134,380,000	3.721%
1.900	Series 45	Fixed	1/1/32	3,060,000	137,440,000	3.806%
1.900	Series 45	Fixed	7/1/32	3,105,000	140,545,000	3.892%
1.900	Series 46-A	Fixed	1/1/33	2,110,000	142,655,000	3.950%
1.900	Series 46-A	Fixed	7/1/33	2,130,000	144,785,000	4.009%
1.900	Series 47	Fixed	7/1/33	2,350,000	147,135,000	4.074%
1.950	Series 43	Fixed	1/1/28	1,520,000	148,655,000	4.116%
1.950	Series 43	Fixed	7/1/28	1,535,000	150,190,000	4.159%
1.950	Series 44	Fixed	1/1/27	1,390,000	151,580,000	4.197%
1.950	Series 45	Fixed	1/1/33	3,140,000	154,720,000	4.284%
1.950	Series 45	PAC	7/1/33	3,165,000	157,885,000	4.372%
2.000	Series 42	Fixed	1/1/30	1,505,000	159,390,000	4.413%
2.000	Series 43	Fixed	1/1/29	1,545,000	160,935,000	4.456%
2.000	Series 44	Fixed	7/1/27	1,420,000	162,355,000	4.496%
2.000	Series 45	Fixed	7/1/35	13,050,000	175,405,000	4.857%
2.000	Series 47	Fixed	7/1/36	14,775,000	190,180,000	5.266%
2.050	Series 43	Fixed	7/1/29	1,580,000	191,760,000	5.310%
2.050	Series 48	Fixed	7/1/25	2,295,000	194,055,000	5.373%
2.050	Series 42	Fixed	7/1/30	1,530,000	195,585,000	5.416%
2.050	Series 44	Fixed	1/1/28	1,420,000	197,005,000	5.455%
2.100	Series 42	Fixed	1/1/31	1,570,000	198,575,000	5.499%
2.100	Series 44	Fixed	7/1/28	1,440,000	200,015,000	5.538%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
2.100	Series 46-A	Fixed	7/1/36	\$13,295,000	\$213,310,000	5.907%
2.150	Series 41	Fixed	7/1/25	850,000	214,160,000	5.930%
2.150	Series 43	Fixed	1/1/30	1,585,000	215,745,000	5.974%
2.150	Series 44	Fixed	1/1/29	1,455,000	217,200,000	6.014%
2.150	Series 48	Fixed	1/1/26	2,315,000	219,515,000	6.078%
2.150	Series 42	Fixed	7/1/31	1,570,000	221,085,000	6.122%
2.200	Series 43	Fixed	7/1/30	1,605,000	222,690,000	6.166%
2.200	Series 44	Fixed	7/1/29	1,475,000	224,165,000	6.207%
2.200	Series 42	Fixed	1/1/32	1,600,000	225,765,000	6.251%
2.200	Series 45	Fixed	7/1/40	35,595,000	261,360,000	7.237%
2.250	Series 41	Fixed	1/1/26	870,000	262,230,000	7.261%
2.250	Series 42	Fixed	7/1/32	1,630,000	263,860,000	7.306%
2.250	Series 43	Fixed	1/1/31	1,630,000	265,490,000	7.351%
2.250	Series 44	Fixed	1/1/30	1,490,000	266,980,000	7.393%
2.250	Series 44	PAC	7/1/30	1,500,000	268,480,000	7.434%
2.250	Series 46-A	Fixed	7/1/42	29,250,000	297,730,000	8.244%
2.250	Series 48	Fixed	7/1/26	2,335,000	300,065,000	8.309%
2.300	Series 37-B	Fixed	7/1/25	790,000	300,855,000	8.331%
2.300	Series 41	Fixed	7/1/26	890,000	301,745,000	8.355%
2.300	Series 43	Fixed	7/1/31	1,635,000	303,380,000	8.401%
2.300	Series 44	Fixed	1/1/31	1,525,000	304,905,000	8.443%
2.300	Series 47	Fixed	7/1/41	27,715,000	332,620,000	9.210%
2.350	Series 41	Fixed	1/1/27	910,000	333,530,000	9.235%
2.350	Series 43	Fixed	1/1/32	1,670,000	335,200,000	9.282%
2.350	Series 44	Fixed	7/1/31	1,540,000	336,740,000	9.324%
2.375	Series 44	Fixed	1/1/32	1,565,000	338,305,000	9.368%
2.400	Series 41	Fixed	7/1/27	925,000	339,230,000	9.393%
2.400	Series 43	Fixed	7/1/32	1,695,000	340,925,000	9.440%
2.400	Series 44	Fixed	7/1/32	1,570,000	342,495,000	9.484%
2.400	Series 47	PAC	7/1/44	17,585,000	360,080,000	9.971%
2.450	Series 37-B	Fixed	1/1/26	820,000	360,900,000	9.993%
2.450	Series 38-B	Fixed	7/1/25	1,480,000	362,380,000	10.034%
2.450	Series 41	Fixed	1/1/28	970,000	363,350,000	10.061%
2.450	Series 42	Fixed	7/1/34	6,745,000	370,095,000	10.248%
2.450	Series 44	Fixed	1/1/33	1,605,000	371,700,000	10.292%
2.500	Series 37-B	Fixed	7/1/26	835,000	372,535,000	10.315%
2.500	Series 41	Fixed	7/1/28	980,000	373,515,000	10.343%
2.500	Series 44	Fixed	7/1/33	1,620,000	375,135,000	10.387%
2.550	Series 44	Fixed	7/1/35	6,705,000	381,840,000	10.573%
2.600	Series 41	Fixed	1/1/29	1,015,000	382,855,000	10.601%
2.625	Series 42	Fixed	7/1/39	18,920,000	401,775,000	11.125%
2.625	Series 43	Fixed	1/1/35	8,820,000	410,595,000	11.369%
2.650	Series 38-B	Fixed	1/1/26	1,525,000	412,120,000	11.412%
2.650	Series 41	Fixed	7/1/29	1,030,000	413,150,000	11.440%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
2.700	Series 38-B	Fixed	7/1/26	\$1,560,000	\$414,710,000	11.483%
2.700	Series 48	Fixed	1/1/29	2,470,000	417,180,000	11.552%
2.700	Series 50	Fixed	7/1/25	1,515,000	418,695,000	11.594%
2.750	Series 41	Fixed	1/1/30	1,065,000	419,760,000	11.623%
2.750	Series 48	Fixed	7/1/29	2,500,000	422,260,000	11.692%
2.750	Series 50	Fixed	1/1/26	1,535,000	423,795,000	11.735%
2.800	Series 38-B	Fixed	1/1/27	1,595,000	425,390,000	11.779%
2.800	Series 39-B	Fixed	7/1/25	780,000	426,170,000	11.801%
2.800	Series 41	Fixed	7/1/30	1,080,000	427,250,000	11.831%
2.800	Series 43	Fixed	1/1/40	19,750,000	447,000,000	12.377%
2.800	Series 50	Fixed	7/1/26	1,555,000	448,555,000	12.420%
2.850	Series 38-B	Fixed	7/1/27	1,640,000	450,195,000	12.466%
2.850	Series 42	Fixed	1/1/43	15,270,000	465,465,000	12.889%
2.850	Series 44	Fixed	7/1/40	14,400,000	479,865,000	13.287%
2.850	Series 50	Fixed	1/1/27	1,590,000	481,455,000	13.331%
2.870	Series 35	Fixed	7/1/32	960,000	482,415,000	13.358%
2.900	Series 39-B	Fixed	1/1/26	815,000	483,230,000	13.381%
2.900	Series 50	Fixed	7/1/27	1,615,000	484,845,000	13.425%
2.950	Series 50	Fixed	1/1/28	1,645,000	486,490,000	13.471%
2.950	Series 38-B	Fixed	1/1/28	1,675,000	488,165,000	13.517%
2.950	Series 38-B	Fixed	7/1/28	1,710,000	489,875,000	13.565%
2.950	Series 39-B	Fixed	7/1/26	835,000	490,710,000	13.588%
2.950	Series 43	Fixed	7/1/43	14,235,000	504,945,000	13.982%
3.000	Series 39-B	Fixed	1/1/27	860,000	505,805,000	14.006%
3.000	Series 44	Fixed	7/1/46	18,015,000	523,820,000	14.505%
3.000	Series 45	PAC	7/1/51	37,690,000	561,510,000	15.548%
3.000	Series 46-A	Fixed	7/1/51	35,455,000	596,965,000	16.530%
3.000	Series 47	Fixed	7/1/51	37,650,000	634,615,000	17.572%
3.000	Series 50	Fixed	7/1/28	1,670,000	636,285,000	17.619%
3.000	Series 55-A	Fixed	1/1/26	2,145,000	638,430,000	17.678%
3.050	Series 39-B	Fixed	7/1/27	885,000	639,315,000	17.703%
3.050	Series 48	Fixed	1/1/32	2,665,000	641,980,000	17.776%
3.050	Series 50	Fixed	1/1/29	1,705,000	643,685,000	17.824%
3.050	Series 55-A	Fixed	7/1/26	2,220,000	645,905,000	17.885%
3.100	Series 39-B	Fixed	1/1/28	895,000	646,800,000	17.910%
3.100	Series 41	Fixed	7/1/34	6,200,000	653,000,000	18.082%
3.100	Series 48	Fixed	7/1/32	2,705,000	655,705,000	18.156%
3.100	Series 50	Fixed	7/1/29	1,740,000	657,445,000	18.205%
3.100	Series 50	Fixed	1/1/30	1,765,000	659,210,000	18.253%
3.100	Series 53-A	Fixed	7/1/25	1,450,000	660,660,000	18.294%
3.100	Series 55-A	Fixed	1/1/27	2,270,000	662,930,000	18.356%
3.125	Series 55-A	Fixed	7/1/27	2,320,000	665,250,000	18.421%
3.150	Series 37-B	Fixed	7/1/31	11,695,000	676,945,000	18.745%
3.150	Series 39-B	Fixed	7/1/28	945,000	677,890,000	18.771%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
3.150	Series 48	Fixed	1/1/33	\$2,745,000	\$680,635,000	18.847%
3.150	Series 50	Fixed	7/1/30	1,805,000	682,440,000	18.897%
3.150	Series 53-A	Fixed	1/1/26	1,500,000	683,940,000	18.938%
3.150	Series 53-A	Fixed	7/1/26	1,535,000	685,475,000	18.981%
3.150	Series 55-A	Fixed	1/1/28	2,370,000	687,845,000	19.046%
3.200	Series 39-B	Fixed	1/1/29	945,000	688,790,000	19.073%
3.200	Series 48	Fixed	7/1/33	2,785,000	691,575,000	19.150%
3.200	Series 50	Fixed	1/1/31	1,835,000	693,410,000	19.200%
3.200	Series 53-A	Fixed	1/1/27	1,565,000	694,975,000	19.244%
3.200	Series 53-A	Fixed	7/1/27	1,600,000	696,575,000	19.288%
3.200	Series 55-A	PAC	7/1/28	2,420,000	698,995,000	19.355%
3.200	Series 55-C	Fixed	7/1/56	200,000,000	898,995,000	24.893%
3.250	Series 39-B	Fixed	7/1/29	975,000	899,970,000	24.920%
3.250	Series 48	Fixed	1/1/34	2,825,000	902,795,000	24.998%
3.250	Series 48	Fixed	7/1/34	2,870,000	905,665,000	25.078%
3.250	Series 50	Fixed	7/1/31	1,880,000	907,545,000	25.130%
3.250	Series 51	Fixed	7/1/25	1,620,000	909,165,000	25.175%
3.250	Series 51	Fixed	1/1/26	1,655,000	910,820,000	25.221%
3.250	Series 51	Fixed	7/1/26	1,685,000	912,505,000	25.267%
3.250	Series 53-A	Fixed	1/1/28	1,635,000	914,140,000	25.312%
3.250	Series 55-A	Fixed	1/1/29	2,475,000	916,615,000	25.381%
3.300	Series 49	Fixed	7/1/25	1,485,000	918,100,000	25.422%
3.300	Series 50	Fixed	1/1/32	1,910,000	920,010,000	25.475%
3.300	Series 53-A	Fixed	7/1/28	1,670,000	921,680,000	25.521%
3.350	Series 48	Fixed	7/1/37	18,195,000	939,875,000	26.025%
3.350	Series 50	Fixed	7/1/32	1,950,000	941,825,000	26.079%
3.350	Series 53-A	Fixed	1/1/29	1,705,000	943,530,000	26.126%
3.350	Series 53-A	Fixed	7/1/29	1,745,000	945,275,000	26.175%
3.350	Series 55-A	Fixed	7/1/29	2,530,000	947,805,000	26.245%
3.375	Series 51	Fixed	1/1/28	5,245,000	953,050,000	26.390%
3.400	Series 38-B	Fixed	7/1/32	15,370,000	968,420,000	26.815%
3.400	Series 41	Fixed	7/1/39	9,755,000	978,175,000	27.086%
3.400	Series 54-A	Fixed	7/1/25	1,340,000	979,515,000	27.123%
3.400	Series 50	Fixed	1/1/33	1,990,000	981,505,000	27.178%
3.400	Series 51	Fixed	7/1/28	1,820,000	983,325,000	27.228%
3.400	Series 53-A	Fixed	1/1/30	1,785,000	985,110,000	27.278%
3.400	Series 53-A	Fixed	7/1/30	1,825,000	986,935,000	27.328%
3.450	Series 49	Fixed	1/1/26	1,500,000	988,435,000	27.370%
3.450	Series 50	Fixed	7/1/33	2,035,000	990,470,000	27.426%
3.450	Series 53-A	PAC	1/1/31	1,865,000	992,335,000	27.478%
3.450	Series 53-A	Fixed	7/1/31	1,905,000	994,240,000	27.530%
3.450	Series 54-A	Fixed	1/1/26	1,390,000	995,630,000	27.569%
3.450	Series 54-A	Fixed	7/1/26	1,415,000	997,045,000	27.608%
3.450	Series 55-A	Fixed	1/1/30	2,590,000	999,635,000	27.680%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
3.482	Series 36	Fixed	7/1/25	\$480,000	\$1,000,115,000	27.693%
3.500	Series 37-A	Fixed	7/1/39	2,230,000	1,002,345,000	27.755%
3.500	Series 54-A	Fixed	1/1/27	1,445,000	1,003,790,000	27.795%
3.500	Series 54-A	Fixed	7/1/27	1,475,000	1,005,265,000	27.836%
3.500	Series 48	Fixed	7/1/42	34,555,000	1,039,820,000	28.793%
3.500	Series 49	Fixed	7/1/26	1,545,000	1,041,365,000	28.835%
3.500	Series 50	Fixed	1/1/34	2,080,000	1,043,445,000	28.893%
3.500	Series 51	Fixed	7/1/29	3,745,000	1,047,190,000	28.997%
3.500	Series 53-A	Fixed	1/1/32	1,950,000	1,049,140,000	29.051%
3.500	Series 53-A	Fixed	7/1/32	1,995,000	1,051,135,000	29.106%
3.500	Series 55-A	Fixed	7/1/30	2,650,000	1,053,785,000	29.179%
3.550	Series 41	Fixed	7/1/44	12,595,000	1,066,380,000	29.528%
3.550	Series 49	Fixed	1/1/27	1,560,000	1,067,940,000	29.571%
3.550	Series 50	Fixed	7/1/34	2,120,000	1,070,060,000	29.630%
3.550	Series 53-A	Fixed	1/1/33	2,045,000	1,072,105,000	29.686%
3.550	Series 53-A	Fixed	7/1/33	2,090,000	1,074,195,000	29.744%
3.550	Series 54-A	Fixed	1/1/28	1,500,000	1,075,695,000	29.786%
3.550	Series 55-A	Fixed	1/1/31	2,715,000	1,078,410,000	29.861%
3.600	Series 49	Fixed	7/1/27	1,595,000	1,080,005,000	29.905%
3.600	Series 50	Fixed	1/1/35	2,170,000	1,082,175,000	29.965%
3.600	Series 54-A	Fixed	7/1/28	1,400,000	1,083,575,000	30.004%
3.600	Series 48	Fixed	1/1/46	24,480,000	1,108,055,000	30.682%
3.600	Series 55-A	Fixed	7/1/31	2,780,000	1,110,835,000	30.759%
3.625	Series 52-A	Fixed	7/1/25	1,980,000	1,112,815,000	30.814%
3.625	Series 39-B	PAC	7/1/33	5,150,000	1,117,965,000	30.956%
3.625	Series 41	Fixed	7/1/49	19,390,000	1,137,355,000	31.493%
3.650	Series 50	Fixed	7/1/35	2,215,000	1,139,570,000	31.555%
3.650	Series 51	Fixed	7/1/30	3,895,000	1,143,465,000	31.662%
3.650	Series 53-A	Fixed	1/1/34	2,140,000	1,145,605,000	31.722%
3.650	Series 53-A	Fixed	7/1/34	2,195,000	1,147,800,000	31.782%
3.650	Series 54-A	Fixed	1/1/29	900,000	1,148,700,000	31.807%
3.650	Series 54-A	Fixed	7/1/29	925,000	1,149,625,000	31.833%
3.650	Series 55-A	Fixed	1/1/32	2,850,000	1,152,475,000	31.912%
3.700	Series 49	Fixed	1/1/28	1,630,000	1,154,105,000	31.957%
3.700	Series 52-A	Fixed	1/1/26	2,025,000	1,156,130,000	32.013%
3.700	Series 53-A	Fixed	1/1/35	2,245,000	1,158,375,000	32.075%
3.700	Series 55-A	Fixed	7/1/32	2,920,000	1,161,295,000	32.156%
3.750	Series 48	Fixed	7/1/52	52,595,000	1,213,890,000	33.612%
3.750	Series 49	Fixed	7/1/28	\$1,655,000	1,215,545,000	33.658%
3.750	Series 51	Fixed	7/1/31	4,070,000	1,219,615,000	33.771%
3.750	Series 52-A	Fixed	7/1/26	2,065,000	1,221,680,000	33.828%
3.750	Series 53-A	Fixed	7/1/35	2,300,000	1,223,980,000	33.892%
3.750	Series 54-A	Fixed	1/1/30	950,000	1,224,930,000	33.918%
3.750	Series 55-A	Fixed	1/1/33	2,990,000	1,227,920,000	34.001%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
3.750	Series 55-A	Fixed	7/1/33	\$3,070,000	\$1,230,990,000	34.086%
3.800	Series 49	Fixed	1/1/29	1,690,000	1,232,680,000	34.133%
3.800	Series 52-A	Fixed	1/1/27	2,110,000	1,234,790,000	34.191%
3.800	Series 53-A	Fixed	1/1/36	2,355,000	1,237,145,000	34.256%
3.800	Series 54-A	Fixed	7/1/30	975,000	1,238,120,000	34.283%
3.800	Series 55-A	Fixed	1/1/34	3,145,000	1,241,265,000	34.371%
3.800	Series 55-A	Fixed	7/1/34	3,225,000	1,244,490,000	34.460%
3.850	Series 38-B	Fixed	7/1/37	23,790,000	1,268,280,000	35.119%
3.850	Series 39-B	Fixed	7/1/38	7,700,000	1,275,980,000	35.332%
3.850	Series 49	Fixed	7/1/29	1,730,000	1,277,710,000	35.380%
3.850	Series 51	Fixed	7/1/32	4,250,000	1,281,960,000	35.497%
3.850	Series 52-A	PAC	7/1/27	2,160,000	1,284,120,000	35.557%
3.850	Series 53-A	Fixed	7/1/36	2,415,000	1,286,535,000	35.624%
3.850	Series 54-A	Fixed	1/1/31	1,000,000	1,287,535,000	35.652%
3.850	Series 55-A	Fixed	1/1/35	3,310,000	1,290,845,000	35.743%
3.850	Series 55-A	Fixed	7/1/35	3,395,000	1,294,240,000	35.837%
3.875	Series 51	Fixed	1/1/33	2,195,000	1,296,435,000	35.898%
3.875	Series 52-A	Fixed	1/1/28	2,210,000	1,298,645,000	35.959%
3.875	Series 55-A	Fixed	1/1/36	3,485,000	1,302,130,000	36.056%
3.875	Series 55-A	Fixed	7/1/36	3,580,000	1,305,710,000	36.155%
3.900	Series 49	Fixed	1/1/30	1,780,000	1,307,490,000	36.204%
3.900	Series 51	Fixed	7/1/33	2,250,000	1,309,740,000	36.267%
3.900	Series 52-A	Fixed	7/1/28	2,260,000	1,312,000,000	36.329%
3.900	Series 54-A	Fixed	7/1/31	1,030,000	1,313,030,000	36.358%
3.950	Series 38-B	Fixed	1/1/41	13,520,000	1,326,550,000	36.732%
3.950	Series 49	Fixed	7/1/30	1,800,000	1,328,350,000	36.782%
3.950	Series 50	Fixed	7/1/38	14,430,000	1,342,780,000	37.181%
3.950	Series 51	Fixed	1/1/34	2,300,000	1,345,080,000	37.245%
3.950	Series 51	Fixed	7/1/34	2,345,000	1,347,425,000	37.310%
3.950	Series 51	Fixed	1/1/35	2,400,000	1,349,825,000	37.377%
3.950	Series 51	Fixed	7/1/35	2,460,000	1,352,285,000	37.445%
3.950	Series 52-A	Fixed	1/1/29	2,310,000	1,354,595,000	37.509%
3.950	Series 54-A	Fixed	1/1/32	1,060,000	1,355,655,000	37.538%
3.950	Series 54-A	Fixed	7/1/32	1,090,000	1,356,745,000	37.568%
3.950	Series 54-A	Fixed	1/1/33	1,115,000	1,357,860,000	37.599%
3.950	Series 54-A	Fixed	7/1/33	1,145,000	1,359,005,000	37.631%
4.000	Series 38-B	Fixed	7/1/47	13,155,000	1,372,160,000	37.995%
4.000	Series 39-B	Fixed	7/1/48	12,180,000	1,384,340,000	38.332%
4.000	Series 41	Fixed	1/1/50	14,775,000	1,399,115,000	38.741%
4.000	Series 42	Fixed	1/1/50	20,255,000	1,419,370,000	39.302%
4.000	Series 43	Fixed	7/1/50	22,355,000	1,441,725,000	39.921%
4.000	Series 44	Fixed	7/1/50	18,810,000	1,460,535,000	40.442%
4.000	Series 52-A	PAC	7/1/29	2,365,000	1,462,900,000	40.508%
4.000	Series 53-A	Fixed	7/1/39	15,855,000	1,478,755,000	40.947%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
4.000	Series 54-A	Fixed	1/1/34	\$1,180,000	\$1,479,935,000	40.979%
4.000	Series 54-A	Fixed	7/1/34	1,210,000	1,481,145,000	41.013%
4.000	Series 55-A	Fixed	7/1/39	23,580,000	1,504,725,000	41.666%
4.050	Series 49	Fixed	1/1/31	1,840,000	1,506,565,000	41.717%
4.050	Series 52-A	Fixed	1/1/30	2,420,000	1,508,985,000	41.784%
4.050	Series 54-A	Fixed	1/1/35	1,245,000	1,510,230,000	41.818%
4.050	Series 54-A	Fixed	7/1/35	1,280,000	1,511,510,000	41.854%
4.100	Series 51	Fixed	7/1/38	16,045,000	1,527,555,000	42.298%
4.100	Series 54-A	Fixed	1/1/36	1,315,000	1,528,870,000	42.334%
4.100	Series 54-A	Fixed	7/1/36	1,355,000	1,530,225,000	42.372%
4.100	Series 49	Fixed	7/1/31	1,880,000	1,532,105,000	42.424%
4.100	Series 52-A	Fixed	7/1/30	2,475,000	1,534,580,000	42.492%
4.125	Series 49	Fixed	1/1/32	1,935,000	1,536,515,000	42.546%
4.150	Series 49	Fixed	7/1/32	1,965,000	1,538,480,000	42.600%
4.150	Series 52-A	Fixed	7/1/31	5,135,000	1,543,615,000	42.743%
4.150	Series 54-A	Fixed	7/1/39	8,955,000	1,552,570,000	42.991%
4.200	Series 51	Fixed	7/1/40	12,080,000	1,564,650,000	43.325%
4.200	Series 52-A	Fixed	1/1/32	2,660,000	1,567,310,000	43.399%
4.250	Series 40	Fixed	7/1/47	10,505,000	1,577,815,000	43.690%
4.250	Series 49	Fixed	1/1/33	2,010,000	1,579,825,000	43.745%
4.250	Series 52-A	Fixed	7/1/32	2,730,000	1,582,555,000	43.821%
4.300	Series 49	Fixed	7/1/33	2,070,000	1,584,625,000	43.878%
4.300	Series 52-A	Fixed	1/1/33	2,795,000	1,587,420,000	43.956%
4.300	Series 52-A	Fixed	7/1/33	2,870,000	1,590,290,000	44.035%
4.350	Series 49	Fixed	1/1/34	2,110,000	1,592,400,000	44.093%
4.350	Series 50	Fixed	7/1/43	29,450,000	1,621,850,000	44.909%
4.350	Series 52-A	Fixed	1/1/34	2,940,000	1,624,790,000	44.990%
4.350	Series 52-A	Fixed	7/1/34	3,015,000	1,627,805,000	45.074%
4.350	Series 52-A	Fixed	1/1/35	3,095,000	1,630,900,000	45.159%
4.350	Series 52-A	Fixed	7/1/35	3,180,000	1,634,080,000	45.248%
4.350	Series 55-A	PAC	1/1/44	40,050,000	1,674,130,000	46.356%
4.375	Series 51	Fixed	7/1/43	20,610,000	1,694,740,000	46.927%
4.375	Series 53-A	Fixed	7/1/44	32,855,000	1,727,595,000	47.837%
4.385	Series 57-B	Fixed	7/1/26	2,090,000	1,729,685,000	47.895%
4.400	Series 50	Fixed	7/1/46	19,905,000	1,749,590,000	48.446%
4.400	Series 49	Fixed	7/1/34	2,160,000	1,751,750,000	48.506%
4.435	Series 57-B	Fixed	1/1/27	2,140,000	1,753,890,000	48.565%
4.435	Series 57-B	Fixed	7/1/27	2,185,000	1,756,075,000	48.626%
4.442	Series 58-B	Fixed	7/1/26	1,605,000	1,757,680,000	48.670%
4.442	Series 58-B	Fixed	1/1/27	2,215,000	1,759,895,000	48.731%
4.448	Series 57-B	Fixed	1/1/28	2,235,000	1,762,130,000	48.793%
4.492	Series 58-B	Fixed	7/1/27	2,260,000	1,764,390,000	48.856%
4.498	Series 57-B	Fixed	7/1/28	2,285,000	1,766,675,000	48.919%
4.500	Series 51	Fixed	1/1/48	36,385,000	1,803,060,000	49.927%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
4.520	Series 58-B	Fixed	1/1/28	\$2,305,000	\$1,805,365,000	49.990%
4.550	Series 53-A	Fixed	1/1/50	46,520,000	1,851,885,000	51.279%
4.550	Series 54-A	Fixed	7/1/44	18,855,000	1,870,740,000	51.801%
4.550	Series 58-B	Fixed	7/1/28	2,350,000	1,873,090,000	51.866%
4.594	Series 57-B	Fixed	1/1/29	2,335,000	1,875,425,000	51.930%
4.594	Series 57-B	Fixed	7/1/29	2,390,000	1,877,815,000	51.997%
4.600	Series 49	Fixed	7/1/37	14,160,000	1,891,975,000	52.389%
4.625	Series 52-A	Fixed	7/1/38	20,980,000	1,912,955,000	52.970%
4.631	Series 58-B	Fixed	1/1/29	2,400,000	1,915,355,000	53.036%
4.644	Series 57-B	Fixed	1/1/30	2,445,000	1,917,800,000	53.104%
4.691	Series 58-B	Fixed	7/1/29	2,445,000	1,920,245,000	53.171%
4.692	Series 54-B	Fixed	1/1/28	690,000	1,920,935,000	53.190%
4.692	Series 54-B	Fixed	7/1/28	710,000	1,921,645,000	53.210%
4.694	Series 57-B	Fixed	7/1/30	2,500,000	1,924,145,000	53.279%
4.700	Series 54-A	Fixed	7/1/50	31,475,000	1,955,620,000	54.151%
4.741	Series 58-B	Fixed	1/1/30	2,495,000	1,958,115,000	54.220%
4.741	Series 58-B	PAC	7/1/30	2,550,000	1,960,665,000	54.291%
4.742	Series 54-B	Fixed	1/1/29	720,000	1,961,385,000	54.311%
4.792	Series 54-B	Fixed	7/1/29	735,000	1,962,120,000	54.331%
4.800	Series 54-A	Fixed	1/1/55	31,705,000	1,993,825,000	55.209%
4.812	Series 57-B	Fixed	1/1/31	2,425,000	1,996,250,000	55.276%
4.823	Series 53-B	Fixed	1/1/28	825,000	1,997,075,000	55.299%
4.829	Series 54-B	Fixed	1/1/30	760,000	1,997,835,000	55.320%
4.835	Series 53-B	Fixed	1/1/27	785,000	1,998,620,000	55.342%
4.835	Series 53-B	Fixed	7/1/27	805,000	1,999,425,000	55.364%
4.848	Series 54-B	Fixed	1/1/27	705,000	2,000,130,000	55.383%
4.848	Series 54-B	Fixed	7/1/27	675,000	2,000,805,000	55.402%
4.852	Series 57-B	Fixed	7/1/31	1,750,000	2,002,555,000	55.451%
4.873	Series 53-B	Fixed	7/1/28	840,000	2,003,395,000	55.474%
4.875	Series 49	Fixed	7/1/42	29,115,000	2,032,510,000	56.280%
4.879	Series 54-B	Fixed	7/1/30	775,000	2,033,285,000	56.301%
4.882	Series 57-B	Fixed	1/1/32	1,790,000	2,035,075,000	56.351%
4.900	Series 52-A	Fixed	7/1/43	43,980,000	2,079,055,000	57.569%
4.918	Series 53-B	Fixed	7/1/25	720,000	2,079,775,000	57.589%
4.918	Series 53-B	Fixed	1/1/26	750,000	2,080,525,000	57.610%
4.918	Series 53-B	Fixed	7/1/26	770,000	2,081,295,000	57.631%
4.919	Series 54-B	Fixed	1/1/31	790,000	2,082,085,000	57.653%
4.932	Series 57-B	Fixed	7/1/32	1,840,000	2,083,925,000	57.704%
4.962	Series 58-B	Fixed	1/1/31	2,420,000	2,086,345,000	57.771%
4.969	Series 54-B	Fixed	7/1/31	810,000	2,087,155,000	57.793%
4.973	Series 53-B	Fixed	1/1/29	860,000	2,088,015,000	57.817%
4.982	Series 58-B	Fixed	7/1/31	1,775,000	2,089,790,000	57.866%
5.000	Series 48	Fixed	1/1/27	2,360,000	2,092,150,000	57.931%
5.000	Series 48	Fixed	7/1/27	2,385,000	2,094,535,000	57.997%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
5.000	Series 48	Fixed	1/1/28	\$2,410,000	\$2,096,945,000	58.064%
5.000	Series 48	PAC	7/1/28	2,440,000	2,099,385,000	58.132%
5.000	Series 48	Fixed	1/1/30	2,530,000	2,101,915,000	58.202%
5.000	Series 48	Fixed	7/1/30	2,565,000	2,104,480,000	58.273%
5.000	Series 48	Fixed	1/1/31	2,595,000	2,107,075,000	58.345%
5.000	Series 48	Fixed	7/1/31	2,630,000	2,109,705,000	58.418%
5.000	Series 49	Fixed	7/1/47	38,190,000	2,147,895,000	59.475%
5.000	Series 52-A	Fixed	7/1/46	28,660,000	2,176,555,000	60.269%
5.012	Series 54-B	Fixed	1/1/26	755,000	2,177,310,000	60.289%
5.012	Series 54-B	Fixed	7/1/26	775,000	2,178,085,000	60.311%
5.018	Series 54-B	Fixed	1/1/32	830,000	2,178,915,000	60.334%
5.023	Series 53-B	Fixed	7/1/29	885,000	2,179,800,000	60.358%
5.062	Series 54-B	Fixed	7/1/25	710,000	2,180,510,000	60.378%
5.062	Series 58-B	Fixed	1/1/32	1,815,000	2,182,325,000	60.428%
5.071	Series 57-B	Fixed	1/1/33	1,885,000	2,184,210,000	60.481%
5.078	Series 54-B	Fixed	7/1/32	850,000	2,185,060,000	60.504%
5.092	Series 58-B	Fixed	7/1/32	1,865,000	2,186,925,000	60.556%
5.098	Series 54-B	Fixed	1/1/33	870,000	2,187,795,000	60.580%
5.099	Series 53-B	Fixed	1/1/30	905,000	2,188,700,000	60.605%
5.121	Series 57-B	Fixed	7/1/33	1,940,000	2,190,640,000	60.659%
5.149	Series 53-B	Fixed	7/1/30	925,000	2,191,565,000	60.684%
5.158	Series 54-B	Fixed	7/1/33	890,000	2,192,455,000	60.709%
5.171	Series 57-B	Fixed	1/1/34	1,995,000	2,194,450,000	60.764%
5.199	Series 53-B	Fixed	1/1/31	950,000	2,195,400,000	60.790%
5.208	Series 54-B	Fixed	1/1/34	910,000	2,196,310,000	60.816%
5.221	Series 57-B	Fixed	7/1/34	2,045,000	2,198,355,000	60.872%
5.249	Series 53-B	Fixed	7/1/31	975,000	2,199,330,000	60.899%
5.258	Series 54-B	Fixed	7/1/34	935,000	2,200,265,000	60.925%
5.271	Series 57-B	Fixed	1/1/35	2,105,000	2,202,370,000	60.983%
5.308	Series 54-B	Fixed	1/1/35	960,000	2,203,330,000	61.010%
5.318	Series 53-B	Fixed	1/1/32	1,000,000	2,204,330,000	61.038%
5.321	Series 57-B	Fixed	7/1/35	2,160,000	2,206,490,000	61.097%
5.341	Series 57-B	Fixed	1/1/36	2,220,000	2,208,710,000	61.159%
5.348	Series 53-B	Fixed	7/1/32	1,025,000	2,209,735,000	61.187%
5.355	Series 58-B	Fixed	1/1/33	1,910,000	2,211,645,000	61.240%
5.358	Series 54-B	Fixed	7/1/35	980,000	2,212,625,000	61.267%
5.371	Series 57-B	Fixed	7/1/36	2,285,000	2,214,910,000	61.331%
5.379	Series 52-B	Fixed	1/1/26	585,000	2,215,495,000	61.347%
5.388	Series 53-B	Fixed	1/1/33	1,050,000	2,216,545,000	61.376%
5.388	Series 54-B	Fixed	1/1/36	1,005,000	2,217,550,000	61.404%
5.405	Series 58-B	PAC	7/1/33	1,955,000	2,219,505,000	61.458%
5.417	Series 52-B	Fixed	1/1/27	610,000	2,220,115,000	61.475%
5.418	Series 53-B	Fixed	7/1/33	1,075,000	2,221,190,000	61.505%
5.418	Series 53-B	Fixed	1/1/34	1,105,000	2,222,295,000	61.535%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
5.418	Series 54-B	Fixed	7/1/36	\$1,030,000	\$2,223,325,000	61.564%
5.419	Series 52-B	Fixed	7/1/26	595,000	2,223,920,000	61.580%
5.428	Series 52-B	Fixed	7/1/25	570,000	2,224,490,000	61.596%
5.448	Series 53-B	Fixed	7/1/34	1,135,000	2,225,625,000	61.627%
5.457	Series 52-B	Fixed	7/1/27	625,000	2,226,250,000	61.645%
5.475	Series 58-B	Fixed	1/1/34	2,010,000	2,228,260,000	61.700%
5.488	Series 53-B	Fixed	1/1/35	1,160,000	2,229,420,000	61.732%
5.491	Series 57-B	Fixed	7/1/40	20,740,000	2,250,160,000	62.307%
5.500	Series 50	Fixed	1/1/54	69,830,000	2,319,990,000	64.240%
5.517	Series 52-B	Fixed	1/1/28	640,000	2,320,630,000	64.258%
5.518	Series 53-B	Fixed	7/1/39	11,945,000	2,332,575,000	64.589%
5.525	Series 58-B	Fixed	7/1/34	2,060,000	2,334,635,000	64.646%
5.547	Series 52-B	Fixed	7/1/28	655,000	2,335,290,000	64.664%
5.565	Series 58-B	Fixed	1/1/35	2,115,000	2,337,405,000	64.723%
5.585	Series 58-B	Fixed	7/1/35	2,170,000	2,339,575,000	64.783%
5.598	Series 54-B	Fixed	7/1/39	6,785,000	2,346,360,000	64.970%
5.645	Series 58-B	Fixed	1/1/36	2,225,000	2,348,585,000	65.032%
5.654	Series 53-B	Fixed	7/1/44	17,030,000	2,365,615,000	65.504%
5.655	Series 58-B	Fixed	7/1/36	2,285,000	2,367,900,000	65.567%
5.692	Series 52-B	Fixed	1/1/29	665,000	2,368,565,000	65.585%
5.695	Series 58-B	Fixed	1/1/37	2,345,000	2,370,910,000	65.650%
5.725	Series 58-B	Fixed	7/1/37	2,415,000	2,373,325,000	65.717%
5.742	Series 52-B	Fixed	7/1/29	685,000	2,374,010,000	65.736%
5.748	Series 57-B	Fixed	7/1/45	33,495,000	2,407,505,000	66.664%
5.750	Series 51	Fixed	1/1/54	64,975,000	2,472,480,000	68.463%
5.754	Series 53-B	Fixed	1/1/50	22,770,000	2,495,250,000	69.093%
5.792	Series 52-B	PAC	1/1/30	700,000	2,495,950,000	69.113%
5.798	Series 57-B	Fixed	7/1/50	44,665,000	2,540,615,000	70.349%
5.811	Series 54-B	Fixed	7/1/44	13,955,000	2,554,570,000	70.736%
5.842	Series 52-B	Fixed	7/1/30	720,000	2,555,290,000	70.756%
5.848	Series 57-B	Fixed	1/1/56	62,555,000	2,617,845,000	72.488%
5.869	Series 52-B	Fixed	1/1/31	735,000	2,618,580,000	72.508%
5.881	Series 54-B	Fixed	7/1/49	18,170,000	2,636,750,000	73.011%
5.894	Series 52-B	Fixed	7/1/31	755,000	2,637,505,000	73.032%
5.901	Series 54-B	Fixed	1/1/55	25,845,000	2,663,350,000	73.748%
5.919	Series 52-B	Fixed	1/1/32	775,000	2,664,125,000	73.769%
5.949	Series 52-B	Fixed	7/1/32	795,000	2,664,920,000	73.791%
5.969	Series 52-B	Fixed	1/1/33	815,000	2,665,735,000	73.814%
5.975	Series 58-B	Fixed	7/1/40	15,925,000	2,681,660,000	74.255%
5.989	Series 52-B	Fixed	7/1/33	835,000	2,682,495,000	74.278%
6.000	Series 49	Fixed	7/1/53	53,380,000	2,735,875,000	75.756%
6.039	Series 52-B	Fixed	7/1/38	9,615,000	2,745,490,000	76.022%
6.128	Series 52-B	Fixed	7/1/43	12,410,000	2,757,900,000	76.366%
6.182	Series 58-B	Fixed	7/1/45	33,140,000	2,791,040,000	77.284%

<b>Coupon</b>	<b>Series</b>	<b>Type</b>	<b>Maturity</b>	<b>Amount</b>	<b>Cumulative</b>	<b>% of Total</b>
6.212	Series 58-B	Fixed	7/1/50	\$43,770,000	\$2,834,810,000	78.496%
6.238	Series 52-B	Fixed	1/1/49	17,545,000	2,852,355,000	78.981%
6.250	Series 52-A	Fixed	1/1/55	85,230,000	2,937,585,000	81.341%
6.250	Series 53-A	Fixed	1/1/55	61,005,000	2,998,590,000	83.031%
6.250	Series 53-B	Fixed	1/1/55	29,460,000	3,028,050,000	83.846%
6.250	Series 54-A	Fixed	1/1/55	80,725,000	3,108,775,000	86.082%
6.250	Series 55-A	Fixed	7/1/55	94,915,000	3,203,690,000	88.710%
6.250	Series 57-A	Fixed	1/1/56	92,500,000	3,296,190,000	91.271%
6.322	Series 58-B	Fixed	1/1/56	63,730,000	3,359,920,000	93.036%
6.500	Series 52-B	Fixed	1/1/55	22,690,000	3,382,610,000	93.664%
6.500	Series 54-B	PAC	1/1/55	16,370,000	3,398,980,000	94.117%
6.500	Series 58-A	Fixed	1/1/56	92,445,000	3,491,425,000	96.677%
N/A	Series 52-C	Variable	7/1/49	40,000,000	3,531,425,000	97.785%
N/A	Series 55-B	Variable	1/1/50	80,000,000	3,611,425,000	100.000%

## **APPENDIX H**

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### **FORM OF THE SERIES 59-B LIQUIDITY FACILITY**

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APPENDIX H

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**STANDBY BOND PURCHASE AGREEMENT**

**DATED AS OF**

**BETWEEN**

**NORTH CAROLINA HOUSING FINANCE AGENCY**  
**AND**  
**ROYAL BANK OF CANADA**  
***RELATING TO***

**\$99,000,000**

*North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds,  
Series 59-B (Non-AMT)*

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**STANDBY BOND PURCHASE AGREEMENT**

by and among

**NORTH CAROLINA HOUSING FINANCE AGENCY,**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
as Trustee and as Tender Agent,

and

**ROYAL BANK OF CANADA**

Dated as of November 18, 2025

Relating to:

\$99,000,000

North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)

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## STANDBY BOND PURCHASE AGREEMENT

This **STANDBY BOND PURCHASE AGREEMENT** dated as of November 18, 2025, is by and among **NORTH CAROLINA HOUSING FINANCE AGENCY, THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, as Trustee and as Tender Agent for the Bonds, and **ROYAL BANK OF CANADA**, acting through a branch located at [REDACTED] [REDACTED]. All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

### W I T N E S S E T H :

WHEREAS, the Agency is issuing its Bonds pursuant to the terms of the Act and the Trust Agreement;

WHEREAS, the Trust Agreement provides that the Bonds may bear interest at various interest rates, including a Covered Rate;

WHEREAS, pursuant to the terms of the Trust Agreement and subject to the conditions described therein, the Bonds bearing interest at a Covered Rate are subject to tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, the Agency wishes to provide liquidity for the purchase of Bonds bearing interest at a Covered Rate tendered for purchase by the holders thereof pursuant to the terms of the Bonds and the Trust Agreement that are not remarketed by the Remarketing Agent pursuant to the terms of the Trust Agreement and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Bonds so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement; and

WHEREAS, in reliance upon, inter alia, the provisions hereof, the Bank is willing to enter into this Agreement with the Agency and the Trustee.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.01. Specific Terms.** The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“*Accrued Interest*” means that portion of the Purchase Price paid by the Bank for Eligible Bonds constituting accrued but unpaid interest on such Eligible Bonds.

“*Act*” means the North Carolina Housing Finance Agency Act, being Chapter 122A of the General Statutes of North Carolina, as amended.

“*Affiliate*” means, with respect to any Person, any other Person controlling or controlled by or under common control with such Person. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise.

“*Agency*” means the North Carolina Housing Finance Agency, a body politic and corporate and a public agency of the State created pursuant to the *Act*, and its successors and assigns permitted hereunder.

“*Agreement*” means this Standby Bond Purchase Agreement.

“*Anti-Bribery and Corruption Laws*” means all Laws relating to the prevention of bribery, corruption, or similar activities, including (without limitation) the *U.S. Foreign Corrupt Practices Act of 1977*, the *U.K. Bribery Act 2010*, and the *Corruption of Foreign Public Officials Act* (Canada), as amended, and the rules and regulations thereunder, and all similar laws, rules, and regulations of any jurisdiction applicable to the Agency.

“*Anti-Money Laundering Laws*” means all Laws relating to money laundering, terrorist financing, unlawful financial activities or unlawful use or appropriation of corporate funds, including (without limitation) the *U.S. Bank Secrecy Act* as amended by the *USA PATRIOT Act*, and similar laws, rules, and regulations of any jurisdiction applicable to the Agency.

“*Authorized Denominations*” has the meaning assigned in the Supplemental Trust Agreement.

“*Available Commitment*” as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

“*Available Interest Commitment*” initially, during the period from the Closing Date, to but excluding July 1, 2026, means Seven Million Three Hundred Twenty-Three Thousand Two Hundred Eighty-Eight Dollars (\$7,323,288) (an amount equal to two hundred twenty-five days’ interest on the Bonds, computed as if the Bonds bore interest at the rate of twelve percent (12%) per annum and on the basis of a 365-day year), and beginning on July 1, 2026, means Six Million One Hundred Fifty-One Thousand Five Hundred Sixty-Two Dollars (\$6,151,562) (an amount equal to one hundred eighty-nine (189) days’ interest on the Bonds, computed as if the Bonds bore interest at the rate of twelve percent (12%) per annum and on the basis of a 365-day year). The Available Interest Commitment may be adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to the Available Interest Commitment prior to such reduction as the amount of the related reduction in the Available Principal Commitment pursuant to the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to the Available Interest Commitment prior to such increase as the amount of the related increase in the Available Principal Commitment pursuant to clause (c) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such increase;

provided that after giving effect to such adjustment the Available Interest Commitment shall never exceed Seven Million Three Hundred Twenty-Three Thousand Two Hundred Eighty-Eight Dollars (\$7,323,288) prior to July 1, 2026 or Six Million One Hundred Fifty-One Thousand Five Hundred Sixty-Two Dollars (\$6,151,562) on and after July 1, 2026. Any adjustment to the Available Interest Commitment pursuant to clause (a) or (b) above shall occur simultaneously with the event requiring such adjustment.

“*Available Principal Commitment*” initially means Ninety-Nine Million Dollars (\$99,000,000) and thereafter means such initial amount adjusted from time to time as follows:

- (a) upon any reduction in the Available Principal Commitment pursuant to Section 2.03, downward by the amount of such reduction;
- (b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.01; and
- (c) upward by the principal amount of any Bonds previously purchased by the Bank pursuant to Section 2.01 that a Bank Bondholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Bondholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Bonds).

Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the event described in such clause.

“*Bank*” means Royal Bank of Canada, a Canadian chartered bank, and its successors and assigns.

“*Bank Bond*” means any Bond purchased by the Bank pursuant to Sections 2.01 and 2.02 and held by or for the account of a Bank Bondholder in accordance with the terms of this Agreement, until purchased from the Bank Bondholder or retained by the Bank Bondholder in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Bond CUSIP Number*” means [\_\_\_\_\_].

“*Bank Bond Interest Payment Date*” has the meaning assigned to such term in Section 3.01.

“*Bank Bond Redemption Date*” has the meaning assigned to such term in Section 3.02.

“*Bank Bondholder*” means the Bank (but only in its capacity as owner (which as used herein shall mean the beneficial owner if at the relevant time Bank Bonds are held in book entry form) of Bank Bonds pursuant to this Agreement) and any other Person to which a Bank Bondholder has sold Bank Bonds pursuant to Section 2.04(a).

“*Bank Rate*” means, for each date of determination with respect to amounts owing hereunder or under the Bank Bonds, the rate per annum equal to (i) from the date such amounts are advanced or become due and owing hereunder (which period, in the case of a Bank Bond, shall begin on the Purchase Date on which such Bank Bond was purchased with amounts advanced hereunder) to and including the 366<sup>th</sup> day after the date such amounts are advanced or become due

and owing hereunder, a variable rate of interest equal to the Daily Simple SOFR plus three percent (3.0%); and (ii) from the 367<sup>th</sup> day and thereafter, a variable rate of interest equal to the Base Rate plus one percent (1.0%). Notwithstanding the foregoing, from the earlier of (i) the date amounts are owed hereunder and not paid when due and (ii) the occurrence of an Event of Default, all amounts owed hereunder or under any Bank Bond shall bear interest at a rate per annum equal to the Default Rate; provided, however, that at no time shall the Bank Rate (a) exceed the Maximum Rate or (b) be less than the applicable rate of interest on Bonds which are not Bank Bonds, in which event the Bank Rate shall be such applicable rate of interest on Bonds which are not Bank Bonds for such date of determination.

“*Base Rate*” means, for any day, a per annum rate equal to the highest of (i) the sum of the Prime Rate for such day plus two and one-half percent (2.5%), (ii) the sum of the Federal Funds Rate for such day plus three and one-half percent (3.5%) and (iii) eight and one-half percent (8.50%). The Base Rate shall change at the time of any change in the Prime Rate or the Federal Funds Rate, as applicable, effective on the date of such change.

“*Bonds*” means the Agency’s Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT) (1998 Trust Agreement).

“*Book-Entry Bonds*” means the Bonds so long as the book entry system with DTC is used for determining beneficial ownership of the Bonds.

“*Business Day*” has the meaning assigned to such term in the Supplemental Trust Agreement.

“*Cash Flow Certificate*” has the meaning assigned to such term in the Original Trust Agreement.

“*Change in Law*” means the adoption, taking effect or implementation of, or any change in, after the Closing Date, any law, rule, treaty, or regulation, or any policy, request, rule, guideline, or directive of, or any change, after the Closing Date, in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such Governmental Authority (whether or not having the force of law), provided that, notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), the International Regulatory Framework for Banks (Basel III) developed by the Basel Committee on Banking Supervision or by the Bank for International Settlements (BIS) (or any similar or successor organization) and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“*Closing Date*” means November 18, 2025, or such later date on which this Agreement is fully executed and delivered.

“*Covered Rate*” means the Daily Interest Rate or the Weekly Interest Rate.

*“Daily Interest Rate”* has the meaning assigned to such term in the Supplemental Trust Agreement.

*“Daily Simple SOFR”* means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Bank in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining *“Daily Simple SOFR”* for business loans; provided, that if the Bank decides that any such convention is not administratively feasible for the Bank, then the Bank may establish another convention in its reasonable discretion. In the event that Daily Simple SOFR is less than zero percent (0.0%) on any day, it shall be deemed to be zero percent (0.0%) for purposes of this Agreement.

*“Debt”* means, with respect to any Person, all items that would be classified as a liability of such Person in accordance with generally accepted accounting principles, including, without limitation: (a) indebtedness or liability for borrowed money or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which are, should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities and letters of credit; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any Lien on property of such Person, whether or not the obligations have been assumed by such Person, and (h) obligations of such Person under Swap Agreements.

*“Debt Service Reserve Fund”* has the meaning assigned to such term in the Original Trust Agreement.

*“Default”* means the occurrence of any event or the existence of any condition which constitutes an Event of Default or which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

*“Default Rate”* means a per annum rate of interest equal to 12.00%; provided, however, that at no time shall the Default Rate be less than the otherwise applicable rate of interest on Bonds which are not Bank Bonds, in which event the Default Rate shall be such applicable rate of interest on Bonds which are not Bank Bonds for such date of determination.

*“Defaulted Interest”* means accrued interest on the Bonds which was not paid when due under the terms of the Trust Agreement and any amounts accruing on amounts owed on the Bonds by reason of such amounts being not paid when due.

*“Differential Interest Amount”* means an amount equal to (a) interest which has accrued and could actually be paid on Bank Bonds at the Bank Rate, as determined in accordance with Section 3.01, to the Sale Date, less (b) the interest accrued on such Bonds which is received by the Bank Bondholders as part of the Sale Price.

*“DTC”* means The Depository Trust Company and its successors.

“*Effective Date*” has the meaning assigned to such term in Section 4.01.

“*Electronic Means*” shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee and Tender Agent, or another method or system specified by the Trustee and Tender Agent as available for use in connection with its services hereunder.

“*Eligible Bonds*” means any Bonds Outstanding under and entitled to the benefits of the Trust Agreement that bear interest at a Covered Rate and that are tendered or deemed tendered for purchase pursuant to Section 207 of the Supplemental Trust Agreement other than any such Bond which (a) is a Bank Bond or (b) is owned by or on behalf of or is held for the account or for the benefit of the Agency or any Affiliate of the Agency.

“*EMMA*” means the Electronic Municipal Market Access system maintained by the Municipal Securities Rule Making Board (“*MSRB*”), or such other service or services of the *MSRB*, or any successor to the *MSRB*, that may replace *EMMA*.

“*EMMA Amendment*” means any amendment to or addition of any (a)(i) Immediate Termination Event, (ii) Immediate Suspension Event or (iii) condition precedent to the purchase of Eligible Bonds by the Bank pursuant to this Agreement or (b) any amendment to this Agreement to include additional circumstances that permit the termination of the Available Commitment or the Purchase Period in less than thirty (30) days after the Trustee’s receipt of a Notice of Termination Date from the Bank.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to *ERISA* herein correspond to sections of *ERISA* as in effect at the Closing Date and any corresponding future sections of *ERISA* amendatory thereto, supplemental thereto or substituted therefor.

“*Event of Default*,” in relation to this Agreement, has the meaning assigned to such term in Article VIII and, in relation to any other Related Document, has the meaning set forth therein.

“*Event of Insolvency*” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property or the appointment, or the designation with respect to it, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial

distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it of, the existence of a state of financial emergency or similar state of financial distress in respect of it;

- (c) the making of an assignment for the benefit of creditors by such Person;
- (d) such Person is “insolvent” as defined in Section 101(32) of the United States Bankruptcy Code;
- (e) the declaration of a moratorium with respect to the payment of the debts of such Person, which, in the case of the Agency, means that a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, Material Debt as a result of a finding or ruling of a Governmental Authority with jurisdiction over the Agency;
- (f) the admission by such Person in writing of its inability to pay its debts when due; or
- (g) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“*Event of Taxability*” means, with respect to the Bonds, the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, which has the effect of a determination that the interest on any of the Bonds is includable in the gross income of the recipients thereof for federal income tax purposes.

“*Excess Interest Amount*” has the meaning assigned to such term in Section 3.03(b).

“*Expiration Date*” means November 18, 2030, as such date may be extended from time to time by the Bank by delivery of a written Notice of Extension to the Remarketing Agent, the Trustee and the Agency; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

“*Federal Funds Rate*” means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a business day, for the next preceding business day) by the Federal Reserve Bank of New York or, if such rate is not so published for any day which is a business day, the average of the quotations for such day on such transactions received by the Bank from three federal funds brokers of recognized standing selected by it.

“*Fee Letter*” means the Fee Letter dated November 18, 2025, between the Bank and the Agency, relating to the Bonds.

“*Fiscal Year*” means the fiscal year of the Agency ending on June 30 of each calendar year or such other fiscal year as may be adopted by the Agency from time to time.

“*Governmental Authority*” means any national, state or local government (whether domestic or foreign), any political subdivision thereof, any other governmental, quasi governmental, judicial, public or statutory instrumentality, authority, body, tribunal, court, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation, the Federal Reserve Board, any central bank and any comparable authority), or any arbitrator with authority to bind a party at law; including, without limitation, the European Union, the United Nations and the Organization for Economic Co-operation and Development.

“*Home Ownership Revenue Bonds*” has the meaning assigned to the term “Bonds” in the Original Trust Agreement.

“*Immediate Suspension Event*” has the meaning assigned to such term in Section 8.03(c).

“*Immediate Termination Event*” has the meaning assigned to such term in Section 8.03(a).

“*Interest Component*” has the meaning assigned to such term in Section 2.01.

“*Interest Payment Date*” has the meaning assigned to such term in the Supplemental Trust Agreement.

“*Investment Obligations*” has the meaning assigned to such term in the Original Trust Agreement.

“*Investor CUSIP Number*” means [\_\_\_\_\_].

“*Laws*” means any legislation, rules, regulations, guidelines and other legally binding measures issued, administered or enforced by any Governmental Authority, as they may be amended from time to time.

“*Lien*” means any lien, mortgage, security interest, pledge or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to personal, real or mixed property.

“*Margin Stock*” has the meaning assigned to that term in Regulation U.

“*Material Adverse Change*” means the occurrence of any event or change resulting in a material and adverse change (in the reasonable opinion of the Bank) in the Trust Estate, in the assets or condition (financial or otherwise) or operations of the Agency or of the Program, or which materially and adversely affects the enforceability of this Agreement or any other Related Document or the ability of the Agency to perform its obligations hereunder or thereunder.

“*Material Debt*” means (a) the Bonds and (b) any other obligation which is secured by a lien on the Trust Estate on a parity with the lien which secures the Bonds.

“*Maximum Rate*” means the lower of (a) 25% per annum and (ii) the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made

by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“*Moody’s*” means Moody’s Investors Service, Inc. or any successor thereto.

“*Notice of Bank Purchase*” means a written notice in the form of Exhibit A.

“*Notice of Extension*” has the meaning assigned to such term in Section 9.09.

“*Notice of Termination Date*” means any written notice given by the Bank pursuant to Section 8.03(b), which notice shall be in the form of Exhibit B.

“*Official Statement*” means the Official Statement related to \$99,000,000 North Carolina Housing Finance Agency Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT) (1998 Trust Agreement) dated October 29, 2025, (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), and any other prospectus used with respect to the remarketing of the Bonds or supplement to official statement.

“*Original Trust Agreement*” means the Trust Agreement dated as of May 1, 1998, between the Agency and the Trustee, as amended by any permitted amendments thereto, including that certain Amended and Restated Trust Agreement, dated as of August 1, 2023, between the Agency and the Trustee.

“*Other Obligations*” means any bond, note or other similar instrument issued or incurred by the Agency pursuant to the Trust Agreement which is secured by a Lien on the Trust Estate, subordinate to the Lien which secures the Bonds.

“*Outstanding*” has the meaning assigned to such term in the Original Trust Agreement.

“*Participant*” means any bank or other financial institution that may purchase from the Bank a participation interest in this Agreement and certain of the other Related Documents pursuant to a Participation Agreement.

“*Participated Obligations*” has the meaning assigned to such term in Section 9.10.

“*Participation Agreement*” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchase(s) a participation interest in this Agreement and certain of the other Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

“*Person*” means an individual, a corporation, a partnership, an association, an agency, an authority, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental entity or political subdivision or an agency or instrumentality thereof.

“*Prepayments*” has the meaning assigned to such term in the Original Trust Agreement.

*“Prime Rate”* means, for any day, the rate of interest per annum announced by the Bank from time to time in its sole discretion as its prime commercial lending rate for such day for United States Dollar loans made in the United States. The Prime Rate is not necessarily the lowest rate that the Bank is charging any corporate customer.

*“Principal Component”* has the meaning assigned to such term in Section 2.01.

*“Program”* has the meaning assigned to such term in the Original Trust Agreement.

*“Program Obligations”* has the meaning assigned to such term in the Original Trust Agreement.

*“Purchase Date”* means any Business Day during the Purchase Period on which the Bank is required to purchase Eligible Bonds pursuant to Sections 2.01 and 2.02.

*“Purchase Notice”* has the meaning assigned to such term in Section 2.04(b).

*“Purchase Period”* means the period from the Effective Date to and including the close of business on the earliest of (a) the Expiration Date, (b) the day immediately succeeding the date on which no Bonds are Outstanding and (c) the date on which the Available Commitment and the Bank’s obligation to purchase Eligible Bonds have been terminated in their entireties pursuant to Section 2.03 or Article VIII.

*“Purchase Price”* means, with respect to any Eligible Bond as of any date, 100% of the principal amount of such Eligible Bond plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, that if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and provided, further, that in no event shall the Purchase Price of any Eligible Bond include Defaulted Interest accrued on such Eligible Bond or any premium owed with respect to such Eligible Bond.

*“Purchaser”* has the meaning assigned to such term in Section 2.04(b).

*“Rating Agency”* means either Moody’s or S&P.

*“Regulation U”* means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

*“Related Documents”* means this Agreement, the Bonds, the Fee Letter, the Original Trust Agreement, the Supplemental Trust Agreement, the Remarketing Agreement, the Tender Agreement and any exhibits, instruments or agreements relating thereto or any Swap Agreement entered into by the Agency relating to the Bonds.

*“Relevant Governmental Body”* means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“*Remarketing Agent*” means the Person acting from time to time as the Remarketing Agent under the Supplemental Trust Agreement and the Remarketing Agreement, initially RBC Capital Markets, LLC.

“*Remarketing Agreement*” means the Remarketing Agreement by and between the Agency and the initial Remarketing Agent dated November 18, 2025, relating to the Bonds, and any similar agreement between the Agency and any successor Remarketing Agent.

“*Revenues*” has the meaning assigned to such term in the Original Trust Agreement.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or any successor thereto.

“*Sale Date*” has the meaning assigned to such term in Section 2.04(b).

“*Sale Price*” has the meaning assigned to such term in Section 2.04(b).

“*Sanctions*” means any economic, trade or embargo imposed on, or other restrictions on engaging in dealings or transactions with, an individual, group, entity, territory or country, which are administered or enforced under applicable Sanctions Laws.

“*Sanctions Laws*” means all Laws relating to Sanctions administered or enforced by an authority, including (without limitation) the Office of Foreign Assets Control and the U.S. Department of State, Global Affairs Canada, the Department of Public Safety of Canada, the United Nations Security Council, the Office of Financial Sanctions Implementation, the European Union or relevant member states of the European Union.

“*SOFR*” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“*SOFR Administrator*” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“*SOFR Administrator’s Website*” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“*State*” means the State of North Carolina.

“*Substitute Liquidity Facility*” means a replacement standby bond purchase agreement or other liquidity facility which is delivered to the Trustee pursuant to Section 208 of the Supplemental Trust Agreement in replacement of this Agreement.

“*Supplemental Trust Agreement*” means the Fifty-Ninth Supplemental Trust Agreement dated as of November 1, 2025, and related to the Bonds, between the Agency and the Trustee, which supplements the Original Trust Agreement.

“*Swap Agreement*” has the meaning assigned to such term in the Original Trust Agreement.

“Swap Provider” has the meaning assigned to such term in the Original Trust Agreement.

“Tax Event” means, with respect to the Bonds, (i) a determination that interest on any of the Bonds is includable in the gross income of the owners thereof for federal income tax purposes (including by reason of a declaration by a court of competent jurisdiction, whether or not such declaration is appealable or deemed to be final under applicable procedural law or by operation of law), as a result of the entry of any decree or judgment by a court of competent jurisdiction, or (ii) delivery to the Agency of a written summary of potential issues on Form 5701-TEB, Notice of Proposed Adjustment, issued by the Internal Revenue Service, or (iii) delivery to the Trustee, the Agency and the Bank of an opinion of nationally recognized bond counsel acceptable to the Agency and the Bank to the effect that the interest borne by the Bonds is includable in the gross income of the recipients thereof for federal income tax purposes (including by reason of such Bonds being declared invalid, illegal or unenforceable by a court of competent jurisdiction, whether or not such declaration is appealable or deemed to be final under applicable procedural law or by operation of law).

“Tender Agent” means The Bank of New York Mellon Trust Company, N.A., in its capacity as tender agent under the Trust Agreement, and any permitted successors as tender agent under the Trust Agreement.

“Tender Agreement” means the Tender Agreement, dated as of November 1, 2025, between the Agency and the Tender Agent, as such tender agreement may be amended or supplemented from time to time, and includes any tender agreement entered into between the Agency and a successor tender agent for the Bonds.

“Term-out Commencement Date” has the meaning assigned to such term in Section 3.02.

“Trust Agreement” means, together, the Original Trust Agreement and the Supplemental Trust Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee under the Trust Agreement, and any permitted successors as trustee under the Trust Agreement.

“Trust Estate” means the pledge effected and the security interests granted pursuant to the Trust Agreement to secure the payment of principal or, redemption premium, if any, and interest on the Bonds (including, without limitation, Bank Bonds), including without limitation, the Program Obligations, the Revenues and the Prepayments, and all moneys, securities and funds and accounts held or set aside pursuant to the Trust Agreement, including without limitation, the Debt Service Reserve Fund.

“USA Patriot Act” has the meaning assigned to such term in Section 9.18.

“Weekly Interest Rate” has the meaning assigned to such term in the Supplemental Trust Indenture.

“Written” or “in writing” means any form of written communication or a communication by Electronic Means.

**Section 1.02. Certain Other Defined Terms.** Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Trust Agreement, the Supplemental Trust Agreement or the Bonds, as applicable, unless the context otherwise requires.

**Section 1.03. Accounting Matters.** All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

**Section 1.04. Computation of Time Periods.** In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

**Section 1.05. New York City Time Presumption.** All references herein to times of day shall be presumed to refer to New York City time unless otherwise specified.

**Section 1.06. Relation to Other Documents.** Nothing in this Agreement shall be deemed to amend or relieve the Agency of any of its obligations under any other Related Document. To the extent any provision of this Agreement conflicts with any provision of any other Related Document to which the Agency and the Bank are parties, the terms of this Agreement shall control.

**Section 1.07. Interpretation.** All words used herein shall be construed to be of such gender or number as the circumstances require. Reference herein to any document means such document as amended, modified or supplemented from time to time as permitted under its terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

## ARTICLE II

### THE COMMITMENT; FEES

**Section 2.01. Commitment to Purchase Bonds.** Subject to the terms and conditions of this Agreement, the Bank hereby agrees to extend credit to the Agency from time to time during the Purchase Period through the purchase of Eligible Bonds at the Purchase Price on a Purchase Date. Eligible Bonds purchased hereunder shall be in Authorized Denominations. The portion of the Purchase Price paid for any Eligible Bonds purchased on any Purchase Date constituting principal (the “*Principal Component*”) shall not exceed the lesser of 100% of the principal amount of such Eligible Bonds and the Available Principal Commitment (calculated in each case without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 11:30 a.m. on such Purchase Date. The portion of the Purchase Price paid for any Eligible Bonds constituting Accrued Interest (the “*Interest Component*”) on such Eligible Bonds purchased on any Purchase Date shall not exceed the lesser of the accrued and unpaid interest on such Eligible Bonds (excluding Defaulted Interest and, if the Purchase Date is an Interest Payment Date, excluding all accrued interest) and the Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 11:30 a.m. on such Purchase Date.

Any Eligible Bonds so purchased shall thereupon constitute Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Rate and have the other characteristics of Bank Bonds as set forth herein, in the Trust Agreement, and in the Bonds. Amounts drawn hereunder may only be used to pay the Purchase Price of Eligible Bonds and may not be used to pay the principal of and interest on the Bonds or for any other purpose.

## **Section 2.02. Method of Purchasing.**

(a) ***Notice of Purchase.*** If, on any Purchase Date during the Purchase Period, the Bank receives at the location for delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a Notice of Bank Purchase from the Trustee, and the Trustee confirms the Bank's receipt of such Notice of Bank Purchase not later than 11:30 a.m. (provided, however, that notwithstanding the Trustee's failure to confirm the Bank's receipt of such Notice of Bank Purchase the Bank shall nonetheless be obligated hereunder to advance funds to the Trustee for the purchase of Eligible Bonds as described in such Notice of Bank Purchase if such Notice of Bank Purchase is actually received by the Bank no later than 11:30 a.m. on the Purchase Date and all other applicable conditions specified herein have been satisfied), the Bank shall, subject to satisfaction of the requirements of Sections 2.01 and 4.02, transfer to the Trustee not later than 2:30 p.m. on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase. Each Notice of Bank Purchase shall be delivered by the Trustee to the Bank in the manner provided in Section 9.04. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent, the Agency or the Remarketing Agent that results in the Bank's failure to purchase Eligible Bonds pursuant to this Section 2.02. The Trustee shall cause Eligible Bonds purchased pursuant to this Article II to be registered by the Trustee in the name of the Bank or, if directed in writing by the Bank, its nominee or designee, and such Bonds shall be promptly delivered by the Trustee to the Bank or as the Bank may otherwise direct in writing to be held as Bank Bonds under this Agreement and the Trust Agreement, and prior to such delivery such Bonds shall be held in trust by the Trustee for the benefit of the Bank. All purchases of Eligible Bonds shall be made with the Bank's own funds.

So long as Bonds purchased pursuant to this Section 2.02(a) are Book Entry Bonds held by the Trustee as custodian as part of DTC's FAST automated transfer program ("FAST Eligible Bonds"), concurrent with the Trustee's receipt of the Purchase Price for each purchase of Bonds by the Bank, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if so directed by the Bank, make a direct registration electronic book entry (A) crediting the DTC account designated by the Bank as its account in which to hold the Bonds purchased by the Bank (the "Bank Book Entry Account") with the principal amount of the Bonds purchased by the Bank using the Bank Bond CUSIP Number and (B) debiting the book entry account of DTC for the principal amount of such Bonds (the "DTC Book Entry Account") for the principal amount of the Bonds purchased by the Bank (thereby reducing the principal balance of the global certificate representing the Bonds). So long as the Bonds are FAST

Eligible Bonds, upon a remarketing of Bank Bonds and the Trustee's receipt from the Remarketing Agent of the remarketing proceeds, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if the Trustee has previously credited the Bank Book Entry Account as described in clause (A) of the first sentence of this paragraph, make a direct registration electronic book entry in its records (X) debiting the Bank Book Entry Account of the Bank for the principal amount of the Bonds so remarketed and (Y) crediting the DTC Book Entry Account for the Bonds with the principal amount of the Bonds so remarketed (thereby increasing the principal balance of the global certificate representing the Bonds). The Trustee acknowledges that it is familiar with the procedures and requirements set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VRDO") Failed Remarketing and Issuance of Bank Bonds" and agrees that, with respect to any and all Bonds, it will follow the procedures and requirements set forth in such notice, as the same may be amended from time to time. To the extent that, following any amendment of such notice, the procedures and requirements therein should become inconsistent with any aspect of the provisions of this paragraph, the Trustee, the Agency and the Bank shall promptly negotiate in good faith and agree upon amendments of this paragraph so as to eliminate such inconsistency.

(b) ***Remittance of Extra Funds.*** In the event that any funds paid by the Bank to the Trustee pursuant to Section 2.02(a) shall not be required to be applied to purchase Eligible Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Trustee and until so returned shall be held in trust by the Trustee for the account of the Bank. To the extent any such amounts are not returned to the Bank in immediately available funds by 4:00 p.m. on the same day on which such funds were advanced, such amounts shall bear interest, payable by the Agency on demand and in any event on the date on which such funds are returned, at a rate equal to the Bank Rate from the date disbursed until the date returned to the Bank (but in any event for not less than one (1) day).

(c) ***Representations and Warranties on Purchase Date.*** Each notification delivered pursuant to Section 4.02(b) shall constitute a representation and warranty by the Agency on the applicable Purchase Date that (i) the conditions described in Section 4.02(a) and (b) have been satisfied on such Purchase Date and (ii) the representations and warranties made by the Agency herein are true and correct in all material respects on and as of such Purchase Date, as if made on and as of such Purchase Date; provided, however, that so long as the conditions set forth in Section 4.02(a) and (b) are satisfied, the failure of such representations and warranties to be true and correct on such Purchase Date shall not negate the obligation of the Bank to purchase Eligible Bonds hereunder.

### **Section 2.03. Mandatory Reductions of Available Commitment.**

(a) Upon (i) any redemption, purchase in lieu of redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Bonds or (ii) the conversion of the interest rate borne by any Bonds to an interest rate other than a Covered Rate (in each case, whether at the option of the Agency or pursuant to mandatory provisions of the Trust Agreement), the aggregate Available

Principal Commitment shall be reduced upon receipt by the Bank of written notice of such occurrence from the Agency by the principal amount of the Bonds so redeemed, purchased in lieu of redemption, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice. Upon reduction of the Available Principal Commitment to zero pursuant to this Section 2.03(a), the Purchase Period shall automatically terminate.

(b) The Available Commitment and the Purchase Period shall automatically terminate at the close of business on the Business Day immediately succeeding the date on which a Substitute Liquidity Facility has become effective pursuant to the Supplemental Trust Agreement.

#### **Section 2.04. Sale of Bank Bonds; Reinstatement.**

(a) **Right to Sell Bank Bonds.** The Bank expressly reserves the right to sell Bank Bonds at any time, subject, however, to the express terms of this Agreement and the Trust Agreement. The Bank agrees promptly to notify the Trustee, the Agency and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Bond is not an Eligible Bond so long as it remains a Bank Bond and will not carry a short term rating. Any Bank Bondholder shall be deemed to have agreed not to sell such Bank Bond to any Person except the Bank or an institutional investor or other person which customarily purchases commercial paper or securities in large denominations or a Purchaser identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Bond to any Person other than a Purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent, the Agency and the Trustee of the identity of the new Bank Bondholder purchasing such Bank Bond and shall require such new Bank Bondholder to agree to sell such Bank Bonds as provided in the preceding sentence and to agree not to otherwise sell its Bank Bonds.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which any Bank Bondholder holds Bank Bonds, the Remarketing Agent may deliver a notice (a “Purchase Notice”) to such Bank Bondholder as registered on the bond register maintained by the Trustee and to the Bank stating that it has located a purchaser (the “Purchaser”) for some or all of such Bank Bonds and that such Purchaser desires to purchase such Bank Bonds on a Business Day (a “Sale Date”) which shall be at least two Business Days after the date on which the Purchase Notice is received by the Bank Bondholder. The Bank Bonds to be purchased shall be in Authorized Denominations and sold at a price of par plus interest as determined by the Remarketing Agent pursuant to the Supplemental Trust Agreement (the “Sale Price”). Interest on Bank Bonds shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Bonds.** If a Bank Bondholder elects, at its sole option, to sell any Bank Bonds to any Purchaser, it shall give notice of such election to the Trustee, the Agency and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. If a Bank Bondholder elects, at its sole option, not to sell any Bank Bonds to any Purchaser, it shall give notice of such election to the Trustee, the Agency and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. In the event no such notice is timely delivered by a Bank

Bondholder, such Bank Bondholder shall be deemed to have elected to sell such Bank Bonds to a Purchaser. If a Bank Bondholder elects, or is deemed to have elected, to sell Bank Bonds to a Purchaser, such Bank Bondholder shall deliver such Bank Bonds to the Trustee (or, in the case of Bank Bonds that are Book-Entry Bonds, shall cause the beneficial ownership thereof to be credited to the account of the Remarketing Agent at DTC) by 1:00 p.m. on the Sale Date against receipt by the Bank Bondholder of the Sale Price and the Differential Interest Amount therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such address for such Bank Bondholder as is listed in the bond register maintained by the Trustee, as the case may be, and such Bond shall thereupon no longer be considered a Bank Bond. In the event that a Bank Bondholder fails to deliver its Bank Bonds as described in the next preceding sentence, the Bank Bondholder shall be deemed to have so delivered its Bank Bonds, and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust, together with the Differential Interest Amount, for the benefit of such Bank Bondholder pending the surrender of such Bank Bonds by such Bank Bondholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee and the delivery of the Differential Interest Amount by the Agency to the Trustee, such Bank Bonds shall no longer constitute Bank Bonds. When Bank Bonds are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of such Bank Bonds and upon receipt by the Bank or the applicable Bank Bondholder of the Sale Price, notify the Trustee that such Bonds are no longer Bank Bonds. If a Bank Bondholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date that it will not sell its Bank Bonds, the Remarketing Agent shall notify the Trustee and such Bank Bondholder that as of the Sale Date such Bonds shall no longer be considered Bank Bonds.

(d) ***Continuing Obligations.*** Following any sale of Bank Bonds pursuant to Section 2.04(b) or otherwise, or any election to retain Bonds pursuant to Section 2.04(c), the Bank or other Bank Bondholder shall retain the right to receive payment from the Agency of any interest thereon as provided herein, in Article III and in the Trust Agreement.

(e) ***No Warranty.*** Any sale of a Bank Bond pursuant to this Section 2.04 shall be without recourse to the seller and without representation or warranty of any kind by the Bank or any Bank Bondholder.

**Section 2.05. Rights of Bank Bondholders.** Upon purchasing Bank Bonds, Bank Bondholders shall be entitled to and, where necessary, shall be deemed assigned all rights, privileges and security accorded Bondholders as provided in the Bonds and the Trust Agreement other than the right to tender such Bank Bonds for purchase pursuant to the Supplemental Trust Agreement and have such Bank Bonds purchased with amounts advanced hereunder. Upon purchasing Bank Bonds and registration of such Bank Bonds in the name of or at the direction of the Bank, as provided herein, Bank Bondholders shall be recognized by the Agency and the Trustee as the true and lawful owners of the applicable Bank Bonds, free from any claims, Liens, equitable interests and other interests of the Agency or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Bonds with respect to all Bondholders.

**Section 2.06. Fees.** The Agency hereby agrees to pay to the Bank all amounts set forth in the Fee Letter on the dates and in the amounts stated in the Fee Letter. The Fee Letter and this Agreement shall be construed as one agreement between the Agency and the Bank and all obligations under the Fee Letter shall be construed as obligations hereunder.

**Section 2.07. Yield Protection.**

(a) If the Bank or any Participant shall have determined that a Change in Law will (i) change the basis of taxation of payments to the Bank or such Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, liquidity, special deposit, insurance premium, or similar requirement, fee, financial charge or monetary burden against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or such Participant, (iii) impose on the Bank or such Participant any other condition or expense regarding this Agreement, the Fee Letter, the commitment or the obligations of the Bank or such Participant hereunder, the Bonds or the purchase or holding of Bank Bonds by or on behalf of the Bank or such Participant, or (iv) subject the Bank or such Participant to any tax, charge, fee, deduction or withholding with respect to this Agreement, the Fee Letter or any Bank Bonds held by or on behalf of the Bank or such Participant (other than any tax based upon the overall net income of the Bank or such Participant), and the result of any event referred to in clause (i), (ii), (iii) or (iv) above will be to increase the cost to the Bank or such Participant of making advances hereunder or to reduce the amount of any sum received or receivable by the Bank or such Participant hereunder, then, upon demand by the Bank, the Agency shall pay to the Bank for its account or that of such Participant, as applicable, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that a Change in Law will impose, modify or deem applicable any capital adequacy (core, contingent or otherwise), liquidity, insurance premium, fee, charge or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or such Participant allocates capital resources to its commitments (including its obligations under standby bond purchase agreements)) that either (i) adversely affects or would adversely affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy or liquidity position), then, upon demand by the Bank for its own account or that of such Participant, as applicable, the Agency shall pay to the Bank for its own account or that of such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in paragraphs (a) and (b) of this Section 2.07 shall be paid by the Agency to the Bank within 30 days after demand by the Bank; *provided* that the Agency shall not be required to compensate the Bank or a Participant pursuant to paragraphs (a) or (b) of this Section 2.07 for any increased costs incurred or reductions suffered more than 180 days prior to the date that the Bank or such

Participant notifies the Agency of the Change in Law giving rise to such increased costs or reductions and of the Bank's or such Participant's intention to claim compensation therefor (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof). A certificate of the Bank or a Participant, as applicable, as to such increased cost, increased capital, or reduction in return incurred by the Bank or such Participant as a result of any event mentioned in paragraph (a) or (b) of this Section 2.07 setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Agency simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above referenced certificate, the Bank or the Participant may make such reasonable estimates, assumptions, allocations and the like as the Bank or the Participant in good faith determines to be appropriate. The obligations of the Agency under this Section 2.07 shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the Agency hereunder and under the Fee Letter. Notwithstanding anything to the contrary contained herein, the calculation of payments to be made by the Agency for costs incurred by any Participant under this Section 2.07 shall equal the lesser of (i) the costs which the Bank would have incurred under this Section 2.07 for that portion of the Participated Obligations granted to such Participant as if the Bank had not granted such participation and (ii) the costs actually incurred by such Participant under this Section 2.07.

#### **Section 2.08. Computations; Payments; Default Interest.**

(a) ***Method of Payment.*** Except as may be otherwise provided herein, interest on amounts owed hereunder or with respect to Bank Bonds shall be computed on the basis of a year of 360 days and the actual number of days elapsed. Any payments received by the Bank later than 3:30 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Agency to the Bank hereunder shall be fully earned when due and nonrefundable when paid and made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Bank's account specified in the Fee Letter or to such other account of the Bank as the Bank may specify in writing to the Agency and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) ***Default Interest.*** The Agency agrees to pay the Bank, upon demand, interest on any and all amounts owed by the Agency under this Agreement from the earlier of the date such amounts are due and payable but not paid and the occurrence of an Event of Default until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of a year of 360 days and the actual number of days elapsed) equal to the Default Rate. The obligations of the Agency under this Section 2.08 shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the Agency hereunder and under the Fee Letter.

**Section 2.09. Cure.** The Agency agrees to pay to the Bank, on demand, any amounts advanced by or on behalf of the Bank to the extent required to cure any Default. The Bank shall give the Agency reasonably prompt notice of any such advance. The Bank shall have the right, but not the obligation, to cure any Default.

**Section 2.10. Maintenance of Accounts.** The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Agency and the amounts payable and paid from time to time hereunder and under the Fee Letter. In any legal action or proceeding in respect of this Agreement or the Fee Letter, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Agency therein recorded, absent manifest error. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Agency hereunder or under the Fee Letter to pay all amounts owed hereunder and thereunder, together with all interest accrued thereon as provided herein.

**Section 2.11. Withholding.** All payments of principal, interest and any other sums due hereunder or under the Fee Letter shall be made in the amounts required hereunder or thereunder without any reduction, deduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Agency, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Agency is required by law to withhold or deduct any sum from payments required under this Agreement, the Agency shall, (i) to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction, (ii) make such withholdings and deductions, (iii) pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) within thirty (30) days after the due date of such payment, deliver to the Bank the original or certified copy of an official receipt or other document satisfactory to the Bank to evidence the payment to the relevant taxation authority or other authority.

## ARTICLE III

### BANK BONDS

**Section 3.01. Payments.** Notwithstanding anything to the contrary contained in any Bank Bond, the Agency agrees that (a) the Agency shall pay the Bank interest at the Bank Rate on the Interest Component, if any, included in the Purchase Price from the Purchase Date until, and the Interest Component (together with interest thereon at the Bank Rate) shall be due and payable on, the earliest of (i) the Interest Payment Date next succeeding the Purchase Date, (ii) the Sale Date or the date such Bank Bond is paid at maturity or redeemed and (iii) the last day of the Purchase Period and (b) (i) interest on the unpaid principal amount of each Bank Bond from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03, and (ii) interest payable pursuant to clause (b)(i) above shall be payable (each date specified in this clause (b)(ii) being a “*Bank Bond Interest Payment Date*”) (A) on the first Business Day of each January, April, July and October, (B) upon redemption or purchase in lieu of redemption of such Bank Bond pursuant to the Trust Agreement (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the

interest accrued on the amount being sold or deemed sold after a credit for any interest included in the Sale Price and as provided in Section 2.04(c)), (D) on the date the Purchase Period is terminated pursuant to the terms hereof and (E) at maturity (whether by acceleration or otherwise). In the event any Bank Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds advanced by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Bond are paid. All or any portion of the Bank Bonds may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Agency to make the payments described in this Section 3.01 shall be reduced to the extent that such obligations are paid pursuant to the Supplemental Trust Agreement or as part of the Sale Price.

**Section 3.02. Mandatory Redemption.** Subject to the conditions that (a) no Event of Default shall have occurred and be continuing and (b) the representations and warranties contained in Article V are true and correct (except for representations and warranties which relate to a specific date, in which case such representations and warranties will be true as of such date), in each case on the Term-out Commencement Date (as defined below) immediately following a Purchase Date, Bank Bonds purchased on such Purchase Date shall not be subject to mandatory redemption on such Term-out Commencement Date and, instead, shall be subject to mandatory redemption in accordance with the immediately succeeding sentence. If the conditions of the preceding sentence are satisfied on such Term-out Commencement Date, such Bank Bonds shall be subject to mandatory redemption in equal quarterly principal installments, on the first day of each January, April, July and October (commencing on the first such quarterly payment date to occur on or after the first January 1 or July 1 following the 366<sup>th</sup> day after the Purchase Date, the “*Term-out Commencement Date*”) so that such Bank Bonds are paid in full no later than the fifth (5th) anniversary of such Purchase Date (the date of each such redemption being a “*Bank Bond Redemption Date*”). If the conditions of the first sentence of this Section 3.02 are not satisfied on such Term-out Commencement Date, such Bank Bonds shall be subject to mandatory redemption on such Term-out Commencement Date. Interest on such Bank Bonds shall be payable as provided in Section 3.01. Notwithstanding the foregoing, the Agency may optionally redeem any Bank Bond without penalty. All Agency obligations with respect to all Bank Bonds (including the payment of the Interest Component with interest) shall be due and payable in full on the earliest of (a) the date such Bank Bonds are remarketed and sold or deemed sold by the Bank or a Bank Bondholder to a Purchaser pursuant to Section 2.04(c), (b) the date the interest rate borne by the Bonds is converted to a rate other than a Covered Rate, (c) the date of the delivery of a Substitute Liquidity Facility and (d) any date determined pursuant to Section 8.03(d).

### **Section 3.03. Maximum Rate.**

(a) If the amount of interest payable on any Bank Bond for any period in accordance with terms hereof exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest for such period shall be payable in an amount calculated at the Maximum Rate for such period.

(b) To the extent permitted by law, any interest that would have been due and payable for any period but for the operation of Section 3.03(a), shall accrue and be payable

as provided in this paragraph (b) and shall, less interest actually paid to the Bank for such period, constitute the “*Excess Interest Amount*.” If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount hereunder with respect to which interest is payable, together with the Bank Bonds, if any, shall bear interest at the Maximum Rate until payment to the Bank of the entire Excess Interest Amount to the extent such payment may be made without violating applicable law.

(c) Notwithstanding the foregoing, on the date on which no principal amount hereunder remains unpaid and no Bank Bonds are outstanding, the Agency shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest Amount to the extent such payment may be made without violating applicable law.

## ARTICLE IV

### CONDITIONS PRECEDENT TO EFFECTIVENESS

**Section 4.01. Conditions Precedent to Effectiveness.** This Agreement shall become effective on the date (the “*Effective Date*”) when the Bank shall have received each of the following, in form and substance satisfactory to the Bank and its counsel:

(a) ***Transaction Documents.***

(i) True and complete original executed counterparts of this Agreement and the Fee Letter.

(ii) A true and complete copy of the executed Official Statement.

(iii) A copy, certified on the Effective Date by the Agency, of each Related Document delivered prior to the Effective Date (which certificate shall state that each such Related Document has not been modified, amended or rescinded and is in full force and effect on the Effective Date) and an executed original of each Related Document (other than those specified in clause (i) above) delivered on the Effective Date.

(b) ***Agency Documents.***

(i) Certified copies of the Agency’s bylaws and the Act.

(ii) Originals (or copies certified by the Agency to be true copies) of all governmental and regulatory approvals, if any, at the time necessary for the Agency with respect to this Agreement and the transactions contemplated hereby.

(iii) A certificate of the Agency certifying the names and true signatures of the officers thereof authorized to sign this Agreement, the other Related Documents to which it is a party and the other documents to be delivered by it hereunder.

(iv) The audited annual financial statements, including any information relating to Swap Agreements, for the Agency for its most recently ended Fiscal Year, together with the quarterly unaudited financial statements of the Agency for the fiscal quarter(s) ended since the end of such Fiscal Year.

(v) Certifications as to such other matters of fact as shall reasonably be requested by the Bank, including, without limitation, the certificate described in Section 4.01(e).

(vi) A copy of the Agency's most recent Cash Flow Certificate.

(c) ***Trustee and Tender Agent Documents.*** A certificate of the Trustee and the Tender Agent (i) certifying the names and true signatures of the officers thereof authorized to sign this Agreement, the other Related Documents to which it is a party and the other documents to be delivered by it hereunder and (ii) certifying as to the due authorization, execution and delivery of the Related Documents to which it is a party.

(d) ***Opinions.*** The following legal opinions:

(i) From Womble Bond Dickinson (US) LLP, as bond counsel, in customary form, dated the Effective Date, addressed to the Bank or on which the Bank is expressly authorized to rely, as to the (A) Trust Agreement and the Supplemental Trust Agreement, (B) validity of the Bonds, (C) creation and validity of the lien on the Trust Estate to secure the Bonds and (D) such other customary matters as the Bank may reasonably request.

(ii) Copies of all legal opinions (in the case of the approving opinion of bond counsel, either addressed to the Bank or stating that the Bank is entitled to rely therein as if said opinion were addressed to it), certificates and other documents delivered or rendered in connection with the issuance of the Bonds.

(iii) From counsel to the Agency, in form and content satisfactory to the Bank.

(e) ***Closing Certificate of the Agency.*** A certificate signed by a duly authorized officer of the Agency, dated the Effective Date, stating that: (i) the representations and warranties of the Agency contained in Article V and in the other Related Documents are correct on and as of the Effective Date as though made on and as of such date; (ii) no petition by or against the Agency has at any time been filed under the United States Bankruptcy Code or under any similar act; (iii) no Default has occurred and is continuing or would result from the execution and performance of this Agreement or the other Related Documents; (iv) no Material Adverse Change has occurred and no material and adverse change has occurred in the ratings, laws, rules, guidelines or regulations currently in effect related to the Agency since June 30, 2025, except as has been disclosed to the Bank in writing; (v) all governmental and regulatory approvals necessary for the Agency with respect to this Agreement and the transactions contemplated hereby have been obtained and are in full force and effect; and (vi) all conditions precedent to the effectiveness of this Agreement have been satisfied.

(f) ***Fees and Expenses.*** Payment of the Bank's fees and expenses (including attorneys' fees and expenses described in the Fee Letter) payable on the Effective Date.

(g) ***Rating Letters.***

(i) Written confirmation that the Bonds bearing the Investor CUSIP Number have been assigned a rating of at least "Aa1/VMIG-1" by Moody's and "AA+/A-1+" by S&P.

(ii) Written evidence that the Bonds bearing the Bank Bond CUSIP Number have been assigned a rating of at least "Baa3" by Moody's or "BBB-" by S&P.

(h) ***Other Documents.*** Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

**Section 4.02. Conditions Precedent to Bank's Obligation to Purchase Eligible Bonds.**

The obligation of the Bank to purchase Eligible Bonds hereunder on any Purchase Date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Immediate Termination Event or Immediate Suspension Event shall have occurred and be continuing; and

(b) The Bank shall have received a Notice of Bank Purchase during the Purchase Period in the manner described in Section 2.02.

**ARTICLE V**

**REPRESENTATION AND WARRANTIES**

The Agency represents and warrants as follows:

**Section 5.01. Organization; Corporate Powers; Status.** The Agency is a body politic and corporate and a public agency of the State created pursuant to the Act. The Agency has full power and authority (corporate and other) to conduct its business and to own its properties and is duly licensed or qualified in all jurisdictions where the nature of its activities require such licensing or qualifying and where its failure to be licensed or qualify could adversely affect its ability to conduct its business or its ability to perform any and all of its obligations under this Agreement and the other Related Documents.

**Section 5.02. Authority.** The Agency has the requisite power and authority to execute and deliver, accept and agree to, and perform its obligations under, this Agreement and the other Related Documents to which it is a party or under which it has obligations and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement and the other Related Documents to which it is a party or under which it has obligations.

**Section 5.03. Enforceability.** The Agreement and each of the other Related Documents to which the Agency is a party or under which the Agency has any obligations have been duly authorized and executed and constitute the legal, valid and binding obligations of the Agency enforceable in accordance with their terms, subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally and to certain principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each of the Related Documents is or will be on the Closing Date in full force and effect.

**Section 5.04. No Conflict.** The execution, acceptance, delivery and performance of, or agreement to, this Agreement and the other Related Documents by the Agency (a) do not conflict with, violate or contravene any provision of any law, rule or regulation, including the Act, or of any order, writ, judgment, injunction, award or decree of any Governmental Authority and (b) do not and will not conflict with, violate or cause a default under any provision of any bylaws, rules or regulations of the Agency or to which the Agency is subject or by which it or its property is bound, of any bond, note or other evidence of indebtedness or of any mortgage, indenture, contract or other undertaking by which the Agency or any of its assets is bound. The obligations, duties and liabilities of the Agency hereunder and under the Fee Letter do not contravene or violate any provisions of the Trust Agreement.

**Section 5.05. Consents.** All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with, any court or any other Governmental Authority required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the other Related Documents (including the Bonds) have been obtained and are in full force and effect.

**Section 5.06. Litigation.** No action, suit, proceeding, inquiry or investigation at law or in equity before or by any Governmental Authority is pending against the Agency or, to the Agency's knowledge, threatened against the Agency (a) with respect to any of the transactions contemplated by this Agreement and the other Related Documents (including the Bonds) or (b) affecting the Agency, its Affiliates or any of the Agency's assets, which if adversely determined would have a material adverse effect on (i) the transactions contemplated by or the validity of this Agreement or any of the other Related Documents, (ii) the tax exempt status of the Agency, (iii) any Material Debt, including the funds and other assets identified in the Agency's audited financial statements which secure the Material Debt, or (iv) the property, assets, operations or conditions, financial or otherwise, of the Agency or its ability to perform its obligations hereunder or under the other Related Documents.

**Section 5.07. No Default or Event of Default.** No Default or Event of Default has occurred and is continuing.

**Section 5.08. Official Statement.** The Official Statement prepared with respect to the Bonds and the transactions herein contemplated, a true copy of which has heretofore been delivered to the Bank, does not contain, and such Official Statement (including any amendments or supplements prepared subsequent to the Closing Date, a true copy of which shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact, and such Official Statement does not omit, and will not omit, to state a material fact necessary

to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information under the subheading “The Bank” in the section titled “THE SERIES 59-B LIQUIDITY FACILITY AND THE BANK” to the Official Statement which has been provided by the Bank for inclusion therein, and in Appendix D: “Book-Entry Only System” to the Official Statement.

**Section 5.09. Bonds.** Each Bond has been or, with respect to Bank Bonds, will be, duly and validly issued under the Trust Agreement and entitled to the benefits thereof.

**Section 5.10. Ownership of Bank Bonds.** The Bank, and any other Bank Bondholders, will hold the sole legal and beneficial interest in and to all Bank Bonds purchased pursuant to Article II, subject to no Lien or claim of any Person other than the Bank Bondholders, except for such consensual Liens or other security interests as may be created by the Bank Bondholders.

**Section 5.11. Financial Statements.** The audited financial statements of the Agency for the Fiscal Years ended June 30, 2024 and June 30, 2025, examined and reported on by BDO USA, LLP, independent public accountants, heretofore delivered to the Bank, are complete and correct, fairly state the financial condition, activities and cash flows of the Agency as of said dates, and the changes in financial position and results of operations of the Agency for such periods, and have been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto; and there has been no Material Adverse Change since June 30, 2025, nor has there been an increase in the Agency’s long-term debt since June 30, 2025 from that set forth in said financial statements as of, and for the Fiscal Year ended on, that date, except as disclosed to the Bank in writing before the date hereof.

**Section 5.12. Complete and Correct Information.** All information, reports and other papers and data with respect to the Agency furnished to the Bank or its counsel by the Agency were, when taken as a whole, at the time the same were so furnished, complete and correct in all material respects. Any financial, budget and other projections furnished to the Bank were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented and, as of the date of this representation, represent the best estimate of the Agency of its future financial performance. No fact is known to the Agency that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for any of the Bonds, or the ability of the Agency to repay when due its obligations under this Agreement, any of the Bonds and the other Related Documents, that has not been set forth in the Official Statement or in the financial statements and other documents referred to in Section 5.11 or this Section 5.12 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank. Taken as a whole, the documents furnished and statements made by the Agency in connection with the negotiation, preparation or execution of this Agreement and the other Related Documents do not contain untrue statements of material facts or omit to state material facts necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

**Section 5.13. No Proposed Legal Changes.** There is no amendment, or to the knowledge of the Agency, proposed amendment to the Constitution of the State certified for placement on a statewide ballot, or any published administrative interpretation of the Constitution of the State or

any State law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect or prohibit (a) the security for any of the Bonds, (b) the execution, acceptance and delivery of, and/or agreement to, this Agreement or any of the other Related Documents, (c) the creation, organization or existence of the Agency or the titles to office of any officers thereof or (d) the ability of the Agency to repay when due its obligations under this Agreement, any of the Bonds, or any of the other Related Documents.

**Section 5.14. The Trustee, the Tender Agent and the Remarketing Agent.** The Agency has appointed The Bank of New York Mellon Trust Company, N.A. as Trustee and Tender Agent, and RBC Capital Markets, LLC is the duly appointed and acting Remarketing Agent.

**Section 5.15. Margin Stock; Permitted Investments.**

(a) The Agency is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and has not incurred any Debt to be reduced, retired or purchased by the Agency out of the proceeds of the Bonds, for the purpose of purchasing or carrying any Margin Stock, and the Agency does not own any Margin Stock.

(b) The Agency has neither made any investment, nor entered into any agreements for the purpose of effecting any investment, which are not permitted to be made pursuant to the Act and the Trust Agreement.

(c) No funds available under the Trust Agreement are being used for the purpose of, directly or indirectly, purchasing, acquiring control of or carrying Margin Stock.

**Section 5.16. No Tax or Fee.** To its knowledge, the execution, delivery and performance by the Agency of its obligations under this Agreement and the other Related Documents will not give rise to any tax or fee imposed by any local or state agency or domestic Governmental Authority.

**Section 5.17. Sovereign Immunity.** The Agency is not entitled to sovereign immunity from any legal proceedings to enforce or collect upon this Agreement or any other Related Document or the transactions contemplated hereby or thereby (including, without limitation, immunity from service of process and immunity from jurisdiction of any court or tribunal in respect of itself).

**Section 5.18. Incorporation of Representations and Warranties.** All representations and warranties made by the Agency in, or incorporated by the Agency in, any of the other Related Documents, as well as the related defined terms contained therein, are hereby made by the Agency to the Bank and are hereby incorporated by reference in this Section 5.18 with the same effect as if each and every such representation and warranty and defined term were set forth in this Section 5.18 in its entirety. No amendment to any such representation and warranty or defined term made pursuant to any other Related Document shall be effective to amend such representation and warranty or such defined term as incorporated by reference in this Section 5.18 without the

prior written consent of the Bank. The representations and warranties of the Agency in all of the other Related Documents are true and correct in all material respects.

**Section 5.19. Employee Benefit Plans.** The Agency is not subject to ERISA.

**Section 5.20. Security.** This Agreement is a Liquidity Facility, and the Bank Bonds are “Bank Bonds” (as defined in the Supplemental Trust Agreement). The payment of the principal of and interest on the Bonds and the Bank Bonds are secured by a pledge of and lien on the Trust Estate on a parity with all other Home Ownership Revenue Bonds, and there is no lien on the Trust Estate that ranks senior to the lien on the Trust Estate granted for the benefit of the Bonds and Bank Bonds. No filing, registering, recording or publication of the Trust Agreement or any other instrument (which has not been previously undertaken and properly completed) is required to establish the pledge under the Trust Agreement or to perfect, protect or maintain the Lien created thereby on the Trust Estate for the payment of the Bonds and the Bank Bonds.

**Section 5.21. Tax-Exempt Status.** The Agency has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would cause interest on the Bonds to be subject to personal income taxes levied by the State.

**Section 5.22. Usury.** The terms of this Agreement and the other Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

**Section 5.23. Investment Company Act.** The Agency is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

**Section 5.24. Anti-Bribery/Anti-Money Laundering Representation.** The Agency confirms it has policies, procedures and controls reasonably designed to comply with all applicable Anti-Money Laundering Laws, including all those applicable in the jurisdictions in which the Agency conducts business. The Agency warrants that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is in violation of any Anti-Money Laundering Laws; or (b) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the requirements set forth in any Anti-Money Laundering Laws.

The Agency warrants that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is, or is owned or controlled by, a person, group or entity that is (i) the subject of any Sanctions, or (ii) is located, organized or resident in a country or territory that is the subject of Sanctions; (b) has engaged, or will engage, in any dealings or transactions with or for the benefit of any person, group or entity, or in any country or territory, that at the time of the dealing or transaction was the subject of Sanctions; (c) is in violation of any Sanctions Laws; (d) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the prohibitions set forth in any Sanctions Laws; and (e) will, directly or indirectly, use the proceeds of the transaction contemplated by this Agreement, or lend, contribute or otherwise make available such proceeds to any other Person, in any manner that violates any

Sanctions Laws applicable to any party hereto, including for the purpose of funding, financing or facilitating (i) any activities of, or business with, any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) any other transaction that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

The Agency warrants that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is in violation of any Anti-Bribery and Corruption Laws; (b) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the prohibitions set forth in any Anti-Bribery and Corruption Laws; or (c) will, directly or indirectly, use the proceeds of the transactions contemplated by this Agreement, or lend, contribute or otherwise make available such proceeds to any other Person, in any manner that violates any Anti-Bribery and Corruption Laws applicable to any party hereto, including (i) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, and (ii) for making any bribe, unlawful rebate or payoff, influence payment, kickback or other unlawful payment.

**Section 5.25. Insurance.** The Agency currently maintains insurance of such type and in such amounts or in excess of such amounts as is customarily carried by, and that insures against such risks as are customarily insured against by, businesses of like type, size and character to the Agency.

**Section 5.26. Proceeds of Bonds.** The proceeds of the Bonds have been used by the Agency solely for the purposes described in the Trust Agreement.

**Section 5.27. Swap Agreements.** The obligation of the Agency to make fixed or variable rate interest payments to Swap Providers under the Swap Agreements related to the Home Ownership Revenue Bonds corresponds to the class designation of the related series of Home Ownership Revenue Bonds and the obligation of the Agency to make other payments under such Swap Agreements is not secured by the Trust Estate.

## ARTICLE VI

### AFFIRMATIVE COVENANTS

During the term of this Agreement, and until the obligations of the Agency to the Bank hereunder, under the Fee Letter and under any outstanding Bank Bonds are paid in full and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the Agency will perform and comply with each of the following covenants:

**Section 6.01. Notice of Default.** The Agency shall provide to the Bank immediate (but in any event not more than 5 Business Days after the Agency shall have obtained knowledge of the occurrence of a Default or Event of Default), written notice of any Default or Event of Default. Such notice shall set forth the details of such Default or Event of Default and the action which the Agency proposes to take with respect thereto.

**Section 6.02. Compliance with Laws.** The Agency shall comply with all laws, rules and regulations (including, to the extent applicable, ERISA) and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided that the Agency may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts would not constitute a Default or Event of Default, do not affect the Agency's power and authority to execute and deliver this Agreement, the Fee Letter or the Bonds, to perform its obligations and pay all amounts payable by it hereunder, under the Fee Letter and under the Bonds (including any Bank Bonds), or to execute and deliver the other Related Documents and to perform its obligations thereunder. The Agency will not act, or omit to act, in a way that could put the Bank at risk of violating Anti-Money Laundering Laws, Anti-Bribery and Corruption Laws or Sanctions Laws applicable to the Bank.

**Section 6.03. Proceeds of Bank Bonds.** The Agency shall cause the amounts advanced hereunder to be used only to pay the Purchase Price due and payable on any Purchase Date in connection with any Eligible Bonds.

**Section 6.04. Proceeds of Bonds.** The proceeds of the Bonds shall be used by the Agency solely for the purposes described in the Trust Agreement.

**Section 6.05. Related Documents.** The Agency agrees that it will perform and comply with each and every covenant set forth in the Related Documents and each such covenant, together with the related definitions of terms contained therein, is hereby incorporated by reference in this Section 6.05 with the same effect as if it were set forth in this Section 6.05 in its entirety for so long as such covenant is in effect. To the extent that any provision of any of the Related Documents incorporated by reference pursuant to this Section 6.05 permits any Person to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement such provision shall be complied with only if it is waived by the Bank or such document, opinion or other instrument or event or condition, if material to the Bank, shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank. No termination of or amendment or supplement to the covenants and agreements or definitions contained in the Related Document shall be effective to terminate or amend such covenants and agreements or definitions as incorporated by reference in this Section 6.05 without the prior written consent of the Bank. The Agency shall give prior written notice to the Bank of any action referred to in this Section 6.05. The Agency further confirms to and agrees with the Bank that this covenant has been made and entered into for the express benefit of the Bank and shall constitute a contract among the Agency, the Trustee and the Bank and any other Bank Bondholders as holders of any Bonds which are Bank Bonds. The Agency shall use its best efforts to cause the Trustee, the Tender Agent and the Remarketing Agent at all times to comply with the terms of the Related Documents to which any of them is a party.

**Section 6.06. Reporting Requirements.** The Agency shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Agency on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. In the event of a change in the Fiscal Year of the Agency, each of the items described in this Section 6.06 which is furnished to the Bank on an annual or quarterly basis shall be prepared such that there is no gap in

reporting. Each of the following shall be furnished by the Agency to the Bank in the manner provided in Section 9.04:

(a) ***Annual Financial Statements.*** As soon as available, and in any event within 270 days after the end of each Fiscal Year of the Agency, a copy of the complete audited financial statements of the Agency for such Fiscal Year, including the balance sheet as of the end of such Fiscal Year and the related statements of revenues and expenses and changes in financial position for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year and including a breakdown of the Home Ownership Revenue Bonds, all in reasonable detail. The financial statements referred to in this paragraph (a) shall be accompanied by an audit report of nationally recognized independent certified public accountants stating that they have (except as noted therein) been prepared in accordance with generally accepted accounting principles, consistently applied.

(b) ***Certificate of Compliance.*** Concurrently with the delivery of each set of financial statements referred to in paragraph (a) of this Section 6.06, a certificate signed by the Chief Financial Officer of the Agency, substantially in the form of Exhibit E hereto, stating that (i) under his/her supervision the Agency has made a review of its activities during the preceding annual or quarterly period, as applicable, for the purpose of determining whether or not the Agency has complied with all of the terms, provisions and conditions of this Agreement and the other Related Documents and (ii) to the best of his/her knowledge, no Default or Event of Default has occurred or, if a Default or Event of Default has occurred, such certificate shall specify each such Default or Event of Default, the nature and status thereof and any remedial steps taken or proposed to correct such default.

(c) ***Amendments.*** Promptly after the adoption or execution thereof, a copy of each amendment to or other modification of any Related Document which would be of material interest to the Bank as liquidity provider of the Bonds.

(d) ***Trust Agreement Information.*** Promptly following the filing thereof, copies of all notices, certificates, opinions and other reports or documents required to be filed with the Trustee or the Rating Agencies pursuant to the Trust Agreement which notices, certificates, opinions or other reports or documents would be of material interest to the Bank as liquidity provider of the Bonds.

(e) ***Other Information.*** Promptly upon request, such other information respecting the business, properties, condition or operations, financial or otherwise, of the Agency as the Bank may from time to time reasonably request.

**Section 6.07. Certain Notices.** The Agency shall furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Trustee, the Tender Agent or the Remarketing Agent to the Agency or by the Agency to the Trustee, the Tender Agent or the Remarketing Agent under or in connection with any of the Related Documents, in each case promptly after the receipt or giving of the same if such notice, certification, demand or other writing or communication would be of material interest to the Bank as liquidity provider of the Bonds. The Agency shall give the Bank prompt notice of any action, suit or proceeding known to

the Agency at law or in equity or by or before any Governmental Authority which involves claims with a stated demand equal to or in excess of \$15,000,000 or which, if adversely determined, could result in a Material Adverse Change. The Agency shall furnish, or cause to be furnished, to the Bank (a) prompt written notice of any failure of the Remarketing Agent, the Tender Agent or the Trustee to perform any of its respective obligations under the Remarketing Agreement or the Trust Agreement or any material dispute which may exist between the Agency and the Trustee, the Tender Agent or the Remarketing Agent or any dispute in connection with any transaction contemplated under this Agreement, (b) prompt written notice of the occurrence of any "default" or any "event of default" under the Trust Agreement, (c) promptly, copies of any communications or reports received by the Agency from any taxing authority or Rating Agency with respect to the transactions contemplated hereby, (d) prompt written notice of any proposed substitution of this Agreement, (e) prompt written notice of any change in any material fact or circumstance represented or warranted in this Agreement or in any of the other Related Documents, and (f) passage of any state or local ordinance, law or rule not of general applicability to all Persons which could reasonably be expected to result in a Material Adverse Change. The Agency shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agent, a copy of any notice furnished by the Agency to the Remarketing Agent, the Tender Agent or the Trustee indicating a proposed conversion of the interest rate on the Bonds to an interest rate other than the Covered Rate.

**Section 6.08. Inspection Rights.** The Agency shall permit the Bank and any agents or representatives thereof during normal business hours and from time to time to enter the premises of the Agency, or any parts thereof, to examine and make copies of the Agency's records and books of account and the transactions contemplated by this Agreement and to discuss the affairs, finances and accounts of the Agency with any of the Agency's officers, employees and independent accountants. The Agency will furnish to the Bank any and all information as the Bank may reasonably request with respect to the performance by the Agency of its covenants in this Agreement and the other Related Documents.

### **Section 6.09. Liquidity.**

(a) The Agency shall use its best efforts to obtain a Substitute Liquidity Facility to replace this Agreement or cause the Bonds to be converted to bear interest at a rate other than a Covered Rate in the event that (i) the Bank decides not to extend the Expiration Date pursuant to the terms hereof, (ii) the Agency terminates this Agreement pursuant to the terms hereof, or (iii) the Bank furnishes a Notice of Termination Date to the Trustee or a notice of immediate suspension pursuant to Section 8.03(c).

(b) The Agency agrees that any Substitute Liquidity Facility will require, as a condition to the effectiveness of such Substitute Liquidity Facility, that the provider of such Substitute Liquidity Facility provide funds to the extent necessary, in addition to other funds available, on the date the Substitute Liquidity Facility becomes effective for the purchase of all Bank Bonds at par plus accrued interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank hereunder or under the Fee Letter, the Bonds or the other Related Documents shall be payable in full to the Bank.

(c) The Agency shall not permit a Substitute Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

**Section 6.10. Further Assurances.** The Agency shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, and, if necessary, file, register and record, and cause to be filed, registered and recorded, from time to time promptly at the request of the Bank or the Trustee, all such instruments and documents as in the reasonable judgment of the Bank or the Trustee are necessary or advisable to carry out the intent and purpose of this Agreement and the Trust Agreement. In addition, the Agency agrees to file, register, record or publish the Trust Agreement or the Supplemental Trust Agreement or any other instrument necessary to perfect, protect and maintain the Lien of the Trust Estate for the payment of the Bonds. Except to the extent it is exempt therefrom, the Agency will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration, recording or publication, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the other Related Documents and such instruments of further assurance.

**Section 6.11. Maintenance of Approvals; Filings, Etc.** The Agency shall at all times maintain in effect, renew and comply with all the terms and conditions of all such consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement, the Trust Agreement, and the other Related Documents.

**Section 6.12. Conduct of Business; Investment Policy.** The Agency shall carry on and conduct its business in as orderly, efficient and regular manner as it is now being conducted. The Agency shall only make investments in accordance with the terms of the Trust Agreement and its investment policy.

**Section 6.13. Employee Benefit Plans.** In the event the Agency is subject to reporting or other requirements under ERISA, the Agency shall comply with all such requirements.

**Section 6.14. Payment of Obligations; Removal of Liens.** The Agency shall pay (a) its indebtedness and obligations promptly and in accordance with their terms (including, without limitation, all Material Debt and all other amounts payable by the Agency under this Agreement and the other Related Documents in accordance with the terms hereof and thereof) and (b) all assessments or other governmental charges as the same become due and all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to it or any of its property or assets before the same shall become in default, other than taxes, assessments and governmental charges or levies which are not delinquent and other than those contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles.

**Section 6.15. Insurance.** The Agency will at all times maintain insurance of such type, and in such amounts or in excess of such amounts as are customarily carried by, and insuring

against such risks as are customarily insured against by, Persons of like type, size and character as the Agency.

**Section 6.16. Disclosure to Participants.** The Agency agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including, without limitation, the financial information described in Section 6.06, to any Participant.

**Section 6.17. Remarketing of Bonds.**

(a) The parties hereto acknowledge and agree that the Bank is a third party beneficiary of the Remarketing Agreement and that the execution and delivery of a Remarketing Agreement in form and substance acceptable to the Bank, and with a Remarketing Agent acceptable to the Bank, is a condition precedent to the Bank's willingness to enter into this Agreement.

(b) The Agency covenants and agrees that it shall cause to be diligently enforced, and shall take all practicable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Remarketing Agreement.

**Section 6.18. CUSIP Numbers; Bank Bond Rating.** The Agency shall at all times (i) cause Bonds which are not Bank Bonds to be assigned the Investor CUSIP Number and (ii) cause Bank Bonds to be assigned the Bank Bond CUSIP Number. The Agency shall maintain a rating from either Moody's or S&P on Bonds bearing the Bank Bond CUSIP Number.

**Section 6.19. Ratings.** The Agency shall at all times maintain a rating on the Material Debt of no less than "A3" from Moody's and "A-" by S&P.

**Section 6.20. Redemption of Bank Bonds Prior to Redemption of Other Bonds.** Upon any partial redemption of the Bonds, the Agency shall cause Bank Bonds to be redeemed prior to other Bonds.

**Section 6.21. Appointment of Successors.** If the position of Trustee, Tender Agent or Remarketing Agent becomes vacant, the Agency shall promptly appoint a successor which is approved by the Bank. In addition, upon written notice from the Bank that the Remarketing Agent is failing to perform its duties as Remarketing Agent (including, without limitation, failure to give any required notice) under the Remarketing Agreement or the Supplemental Trust Agreement (as determined by the Bank in its sole and absolute discretion), the Agency shall replace or cause to be replaced the Remarketing Agent with a successor approved by the Bank in accordance with the terms of the Remarketing Agreement and the Supplemental Trust Agreement.

**Section 6.22. Accuracy of Information.** All data, certificates, reports, opinions of counsel, documents and other information furnished to the Bank by the Agency, whether pursuant to this Agreement or in connection with or pursuant to an amendment or modification of or waiver under this Agreement shall, at the time the same are so furnished, (a) be complete and correct in all material respects to the extent necessary to give the Bank true and accurate knowledge of the subject matter thereof and (b) not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement contained therein not misleading, and the furnishing of the same to the Bank shall constitute a representation and warranty by the Agency to

that effect (it being understood that with regard to the documentation that has been provided to the Bank pursuant to Section 4.01 representing documents executed and delivered in connection with the issuance of the Bonds, the representation of the Agency in this Section as it relates to those documents is only that such documents so provided are true and accurate copies of such documents executed and delivered in connection with the issuance of the Bonds). Each audited financial statement furnished to the Bank by the Agency, whether pursuant to this Agreement or in connection with or pursuant to an amendment or modification of or waiver under this Agreement, shall, at the same time it is so furnished, fairly present the financial condition and results of operations of the Agency at the date or for the period covered by such financial statement.

**Section 6.23. Voluntary Withdrawals from Trust Agreement.** The Agency hereby covenants that, so long as the Bonds are Outstanding, it shall not exercise any rights it may have to make voluntary withdrawals of cash or other assets from the Lien of the Trust Agreement except to the extent permitted by Section 511 of the Original Trust Agreement and in accordance with Section 707 of the Original Trust Agreement. Notwithstanding anything to the contrary herein, no such withdrawals shall be made during any period when any of the ratings on the Bonds or other Material Debt is below the level of “Baa3” by Moody’s or “BBB-” by S&P or has been suspended or withdrawn for credit-related reasons.

**Section 6.24. Notice of Final Judgment.** In the event of an entry or filing of any final, non-appealable judgment or order in an amount in excess of Fifteen Million Dollars (\$15,000,000) against the Agency, unless such judgment or order is stayed, discharged, vacated, paid or satisfied in accordance with its terms within 30 days of the date of such entry or filing, the Agency shall, within 30 days of the date of such entry or filing, submit to EMMA an event notice describing the amount and nature of such judgment. Notwithstanding anything herein to the contrary, the Agency’s failure to provide the notice required by this Section 6.24 shall not, in and of itself, constitute an Event of Default hereunder.

**Section 6.25. Sovereign Immunity.** In connection with or in response to any claim or assertion of rights under the Bonds, this Agreement or the other Related Documents, the Agency irrevocably agrees, to the fullest extent permitted by law, to waive and not to claim, with respect to itself and its revenues and assets (irrespective of their use or intended use), in any proceeding in the courts of any jurisdiction, any immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets pledged as security for the Bonds (whether before or after judgment), and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction.

## **ARTICLE VII**

### **NEGATIVE COVENANTS**

During the term of this Agreement, and until the obligations of the Agency to the Bank hereunder, under the Fee Letter and under any outstanding Bank Bonds are paid in full and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the Agency will perform and comply with each of the following covenants:

**Section 7.01. Related Documents.** The Agency shall not, without the prior written consent of the Bank, amend or modify, or permit to be amended or modified, any of the other Related Documents or consent to or permit or suffer to occur, any waiver, action, course of dealing or omission which results in, or is equivalent to, an amendment, supplementation, termination, modification or waiver of any provision of any of the other Related Documents in any way adversely affecting the security or rights or remedies of the Bank hereunder or under any other Related Documents or having an adverse effect on the Agency's ability to pay when due principal of or interest on the Bonds or to make payments due hereunder or under the Fee Letter. Notwithstanding the foregoing, no waiver, amendment or other modification of any Related Document shall be effective until the Agency provides to the Bank a final (or substantially final) draft of such waiver, amendment or other modification and the Bank determines in its sole discretion whether such waiver, amendment or other modification in any way adversely affects the security or rights or remedies of the Bank hereunder or under any other Related Document and whether any such waiver, amendment or other modification would have an adverse effect on the Agency's ability to pay the principal of or interest on the Bonds or to make payments due hereunder or under the Fee Letter. The Agency shall not effect or permit the cancellation, acceleration or termination of, or release or permit the release of any collateral held under any of the Related Documents in any manner without the prior written consent of the Bank.

**Section 7.02. Offering Documents.** Except as required by Federal Securities Laws, the Agency shall not refer to the Bank in any offering document or disclosure materials with respect to the Bonds or make any changes in any reference to the Bank in any such offering document or disclosure materials without the Bank's prior written consent thereto. The Bank hereby gives its written consent to references to the Bank in any notices given pursuant to the continuing disclosure undertakings of the Agency entered into in connection with the Bonds and in the Agency's voluntary disclosure reports. Any references herein to an offering document or disclosure materials may include the Agency's posting of same on its website.

**Section 7.03. Voluntary Redemption.** Unless otherwise required to preserve the exclusion for federal income tax purposes of interest on the Home Ownership Revenue Bonds issued by the Agency as tax-exempt bonds under the Trust Agreement, the Agency shall not redeem any Bonds (other than Bank Bonds) executed and delivered under the Trust Agreement (a) prior to redeeming all of the Bank Bonds Outstanding in full or (b) if, after giving effect to such redemption, any amounts payable to any Bank Bondholder hereunder or in respect of any Bank Bonds shall not have been paid in full.

**Section 7.04. Conversions; Additional Bonds; Defeasance.** The Agency shall not permit the conversion of the Bonds to Bonds bearing interest at a rate other than a Covered Rate and shall not issue any Material Debt or Other Obligations if, after giving effect to such conversion or issuance, any Bonds remain as Bank Bonds. In addition, the Agency will not completely defease, nor allow the complete defeasance of, the Bonds without having contemporaneously satisfied all of its obligations hereunder, including the Bank Bonds, and under the Fee Letter. In connection with any partial defeasance of the Bonds, the Agency shall obtain a written confirmation from Moody's and S&P that such defeasance will not adversely affect the rating assigned by Moody's and S&P to the Bonds.

**Section 7.05. Appointment of Successors.** The Agency shall not appoint a successor Trustee, Tender Agent or Remarketing Agent without the prior written consent of the Bank (which consent shall not be unreasonably withheld).

**Section 7.06. Liens, Etc.** The Agency shall not create or suffer to exist any Lien upon or with respect to the Trust Estate except for Liens expressly permitted under the terms of the Trust Agreement.

**Section 7.07. Maintenance of Tax-Exempt Status of the Bonds.** The Agency shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Bonds (including Bank Bonds) from gross income for purposes of the exemption of such interest from federal and state income taxes.

**Section 7.08. Accounting Method.** The Agency shall not change its method of accounting or the times of commencement or termination of Fiscal Years or other accounting periods without first disclosing such change to the Bank in writing.

**Section 7.09. Investment Obligations; Other Investment Activities.**

(a) The Agency shall invest any proceeds from the sale of the Bonds or any amounts held under the Trust Agreement only in Investment Obligations as permitted by the terms of the Trust Agreement.

(b) The Agency will not, directly or indirectly, use or permit the use of any moneys advanced by the Bank pursuant to this Agreement for any purpose other than as contemplated herein, including, without limitation, not using or permitting the use of such moneys to purchase, acquire control of or carry Margin Stock and, except as permitted herein, the Agency will not use, nor permit the use of, any moneys advanced pursuant to this Agreement to purchase and/or make investments in the interests of any other Person (including the equity shares or stock of any company).

**Section 7.10. Preservation of Existence.** The Agency shall not dissolve, nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets.

**Section 7.11. Margin Stock.** The Agency will not acquire any Margin Stock and will not use the proceeds of the Bonds so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

**Section 7.12. Swap Agreements.** The Agency will not enter into any Swap Agreement pursuant to which its obligation (a) to make fixed or variable rate interest payments to Swap Providers under the Swap Agreements related to the Home Ownership Revenue Bonds does not correspond to the class designation of the related series of Home Ownership Revenue Bonds and (b) to make other payments under such Swap Agreement is secured by the Trust Estate.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

The occurrence of any of the events set forth in Sections 8.01 and 8.02 shall constitute an event of default (each, an “*Event of Default*”). Upon the occurrence of an Event of Default the Bank may exercise those applicable rights and remedies provided in Section 8.03.

#### **Section 8.01. Events of Default not Permitting Immediate Termination.**

(a) ***Payments.*** The Agency shall fail to pay (i) when due any amount owed by the Agency to the Bank pursuant to Section 2.07, 3.01 or 3.02 of the Agency (other than as specified in Section 8.02); or (ii) within five (5) Business Days after the same shall become due any amount owed to the Bank pursuant to any other Section of this Agreement (other than as specified in Section 8.02) or the Fee Letter.

(b) ***Representations.*** Any representation or warranty made by or on behalf of the Agency in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) ***Covenants.*** The Agency shall fail to observe or perform any covenant in Section 6.01, 6.03, 6.05, 6.06, 6.07, 6.09, 6.14, 6.18, 6.19, 6.20, 6.21 or 6.23 or in Article VII.

(d) ***Other Covenants.*** The Agency shall fail to perform or observe any term, covenant or agreement (other than ones described in any other paragraph of this Section 8.01) contained in this Agreement or any other Related Document on its part to be performed or observed which failure continues for 30 days or more.

(e) ***Other Documents.*** Any Event of Default under any of the other Related Documents shall occur.

(f) ***Downgrade.*** The rating assigned to the Bonds or to any other Material Debt (without regard to third party credit enhancement) by Moody’s or S&P shall be withdrawn or suspended for credit related reasons or fall below “A3” by Moody’s or “A-” by S&P.

(g) ***Cross Acceleration.*** Any act or omission by the Agency shall occur under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued which results in such Material Debt becoming, or being capable of becoming, immediately due and payable.

(h) ***Cross Default.*** The Agency shall default under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued, and such default shall continue beyond the period of grace, if any, allowed with respect thereto.

(i) ***Invalidity or Contest of Validity.*** Other than as described in Section 8.02, (i) this Agreement, any other Related Document or any provision hereof or thereof shall at

any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Agency, the State or any other Governmental Authority with appropriate jurisdiction shall contest the validity or enforceability of the Agency's obligations hereunder or under the other Related Documents or deny that the Agency has any further liability or obligation hereunder or under the other Related Documents.

(j) ***Taxability.*** A Tax Event or an Event of Taxability shall have occurred.

(k) ***Default.*** The Agency shall default in the payment of any regularly scheduled amount due in respect of any Swap Agreement with the Bank or in the payment due in respect of any principal of or interest on any Debt owed to the Bank.

(l) ***Cross Default to Certain Debt.*** The Agency shall default in the payment of any amount due in respect of any Debt in an aggregate amount in excess of Fifteen Million Dollars (\$15,000,000), as and when the same shall become due, or default under any mortgage, agreement or other instrument pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Agency under any such mortgage, agreement or other instrument which results in such Debt becoming, or being capable of becoming, immediately due and payable (or, with respect to any Swap Agreement, which results in such Swap Agreement being terminated early or being capable of being terminated early).

## **Section 8.02. Events of Default Permitting Immediate Suspension or Termination.**

(a) ***Event of Insolvency.*** An Event of Insolvency shall have occurred with respect to the Agency.

(b) ***Payment Default.*** Any principal or interest due with respect to the Bonds (including regularly scheduled payments of principal and interest on Bank Bonds) is not paid when due or the Agency fails to make or otherwise defaults in any regularly scheduled payment of principal of or interest on any other Material Debt beyond any grace period provided with respect thereto.

(c) ***Invalidity.*** (i) The Act, the Bonds (including Bank Bonds), this Agreement, the Trust Agreement, any Material Debt, or any material provision hereof or thereof relating to the payment of principal of or interest on the Bonds or other Material Debt, shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; (ii) the pledge of and Lien on the Trust Estate shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of this Agreement, the Act, the Bonds (including Bank Bonds), the Trust Agreement or any Material Debt shall find or rule that any of the Act, this Agreement, the

Bonds (including Bank Bonds), the Trust Agreement or any Material Debt, as the case may be, or any provision hereof or thereof relating to (A) the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) the pledge of and Lien on the Trust Estate is not valid or not binding on the Agency or is null and void.

(d) ***Contest of Validity.*** The Agency or any Governmental Authority with appropriate jurisdiction (i) shall repudiate or deny that the Agency has any further liability or obligation hereunder, under the Bonds (including Bank Bonds), the Act, the Trust Agreement or any Material Debt or (ii) shall claim that any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Trust Agreement, the Bonds (including Bank Bonds) or this Agreement, is not valid or not binding on the Agency; or (iii) shall initiate any legal proceedings to seek an adjudication that any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Trust Agreement, the Bonds (including Bank Bonds) or this Agreement is not valid or not binding on the Agency; (iv) shall have taken or permitted to be taken any official action, or shall have duly enacted any statute, which would materially adversely affect the enforceability of any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Trust Agreement, the Bonds (including Bank Bonds) or this Agreement.

(e) ***Investment Grade Rating.*** The unenhanced rating of the Bonds or any other Material Debt shall be (i) withdrawn or suspended for credit-related reasons or reduced below “Baa3” by Moody’s and (ii) withdrawn or suspended for credit-related reasons or reduced below “BBB-” by S&P.

(f) ***Judgment.*** (i) One or more final, non-appealable judgments or orders in an amount in excess of \$15,000,000 in the aggregate shall be rendered against the Agency and (ii) such judgments or orders shall not have been paid in accordance with the terms of such judgments or orders or discharged, vacated, satisfied or stayed within 60 days after entry thereof or if, after the expiration of any such stay, such judgments or orders shall not have been paid in accordance with the terms of such judgments or orders or discharged.

**Section 8.03. Remedies.** Upon the occurrence of an Event of Default, the Bank may take one or more of the following actions:

(a) ***Immediate Termination.*** Upon the occurrence of any Event of Default described in Section 8.02(a), (b), (c)(i), (c)(ii), (d), (e) or (f) (each an “*Immediate Termination Event*”), the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the Bank shall promptly give written notice of the same to the Agency, the Trustee, the Tender Agent and the Remarketing Agent; provided that the Bank shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Commitment, the

Purchase Period and the Bank's obligation to purchase Eligible Bonds pursuant to this Agreement.

(b) **Termination with Notice.** Upon the occurrence of any Event of Default described in Section 8.01, the Bank may terminate the Available Commitment and Purchase Period by giving a Notice of Termination Date to the Agency, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period shall terminate, which date shall be not less than thirty (30) days after the date of receipt of such Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period shall terminate and the Bank shall be under no further obligation to purchase Eligible Bonds hereunder.

(c) **Suspension Events.** In the case of an Event of Default specified in Section 8.02(c)(iii) (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non-appealable judgment) (an "*Immediate Suspension Event*"), the Bank's obligation to purchase Eligible Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Eligible Bonds until such obligation is reinstated pursuant to this Section 8.03(c). Promptly upon the Bank obtaining knowledge of any such Immediate Suspension Event, the Bank shall give written notice to the Agency, the Tender Agent, the Trustee and the Remarketing Agent of such suspension; provided that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in Section 8.02(c)(iii) shall enter a final, non-appealable judgment that any such provision is not valid and binding on the Agency, then the Purchase Period, the Available Commitment and the Bank's obligation to purchase Eligible Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in Section 8.02(c)(iii) shall thereafter find or rule that such provisions are valid and binding on the Agency, the Bank's obligation to purchase Eligible Bonds under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the obligation of the Bank to purchase Eligible Bonds hereunder shall otherwise have terminated or been suspended as provided in this Agreement). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date which is two (2) years after the effective date of suspension of the Bank's obligation pursuant to this Section 8.03(c), litigation is still pending and a judgment regarding the validity of the provisions described in Section 8.02(c)(iii) that are the cause of such Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds shall at such time immediately terminate and thereafter the Bank shall be under no obligation to purchase Eligible Bonds.

(d) **Other Remedies.** In addition to the rights and remedies provided in Sections 8.03(a), (b) and (c), upon the occurrence of any Event of Default specified herein, upon the election of the Bank: (i) all amounts payable hereunder, under the Fee Letter and under the Bank Bonds shall, upon demand by the Bank given to the Agency and the

Trustee, become immediately due and payable without other presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Agency; and (ii) all Bank Bonds shall, upon demand by the Bank made to the Agency and the Trustee, become subject to immediate mandatory redemption. Upon the occurrence of any Event of Default specified herein, the Bank shall have all the rights and remedies available to it under this Agreement, the other Related Documents or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due hereunder due and payable except as expressly provided herein.

(e) ***Remedies Non-exclusive.*** The remedies provided in this Section 8.03 shall only be exclusive with respect to Events of Default to the extent described in this Section 8.03 and to the extent they are obtained by the Bank. If, for any reason whatsoever, the Bank is not able to obtain all such remedies, then the Bank hereby reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity, or any Related Document.

Notwithstanding the provisions of Section 8.03(a), if, upon the occurrence of an Event of Default under Section 8.01, the Bank exercises its rights under Section 8.03(d) or under Section 3.02 (with respect to the first sentence therein) to declare the amounts owed hereunder, under the Fee Letter and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Agency to pay such accelerated amounts shall not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Bank's obligation to purchase Eligible Bonds pursuant to Section 8.03(a).

## **ARTICLE IX**

### **MISCELLANEOUS**

**Section 9.01. Obligations Absolute.** The obligations of the Agency under this Agreement and the Fee Letter shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement and the Fee Letter under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) to the extent permitted by applicable law, any lack of validity or enforceability of this Agreement or any other Related Document or any other agreement or instrument delivered in connection herewith or therewith;
- (b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;
- (c) the existence of any claim, set off, defense or other right that the Agency may have at any time against the Trustee, the Remarketing Agent, the Tender Agent, the Bank or any other Person, whether in connection with this Agreement, any other Related Document or otherwise; or
- (d) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

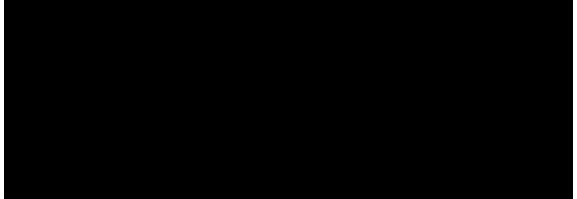
**Section 9.02. Liability of the Bank.** With respect to the Bank, the Agency assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Agency and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank hereunder. Neither the Bank nor any of the officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank hereunder or any acts or omissions of the Trustee, the Tender Agent, the Agency or the Remarketing Agent in connection therewith; or (b) any other circumstances whatsoever in making or failing to make payment hereunder, except only that the Agency shall have a claim against the Bank, and the Bank shall be liable to the Agency, to the extent, but only to the extent, of any direct damages, as opposed to consequential or punitive damages (the right to receive consequential, indirect, special or punitive damages being hereby waived), suffered by the Agency which are determined by a final and non-appealable judgment of a court of competent jurisdiction to be caused by the Bank's gross negligence or willful misconduct; provided, however, that the maximum amount of damages recoverable by the Agency as provided above is expressly limited to the Available Commitment. Nothing herein shall preclude the Agency from asserting against any third party any defense to liability it has under applicable law.

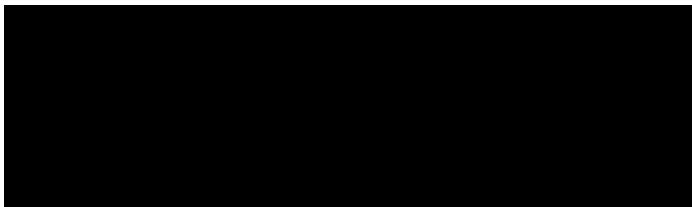
### **Section 9.03. Financial Responsibility.**

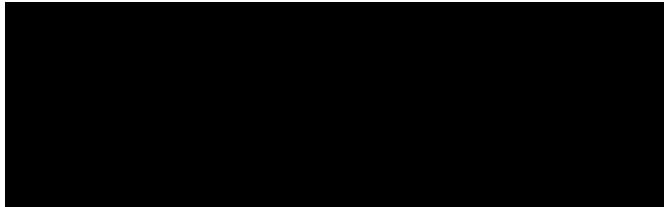
(a) To the extent permitted by law, the Agency agrees to be financially responsible to the Bank, each Participant and their respective officers, directors, employees and agents for any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which any such Person may incur (or which may be claimed against such Person) by reason of or in connection with the transactions contemplated by this Agreement or the other Related Documents, including, without limitation, (i) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Bonds (but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided in writing by the Bank for inclusion therein); (ii) the validity, sufficiency or genuineness of the Related Documents or the Official Statement; (iii) the execution and delivery or transfer of, or payment or failure to pay under, this Agreement; (iv) the issuing, offering, sale, remarketing or resale of the Bonds; or (v) the proposed use of the proceeds of the Bonds or any amounts drawn hereunder; provided that the Agency shall not be required to take financial responsibility for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank. Nothing under this Section 9.03 is intended to limit the Agency's payment obligations hereunder or under the Fee Letter.

(b) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the Agency hereunder and under the Fee Letter.

**Section 9.04. Notices.** (a) Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (i) in the case of notice by letter, when delivered, or (ii) in the case of notice by email, upon confirmation of receipt, addressed as follows or to such other address, or email address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Agency: North Carolina Housing Finance Agency  


Trustee and  
Tender Agent: The Bank of New York Mellon Trust Company, N.A.,  
as Trustee and as Tender Agent  


Remarketing Agent: RBC Capital Markets, LLC, as Remarketing Agent  


Bank: For Notices of Bank Purchase:  
Royal Bank of Canada  

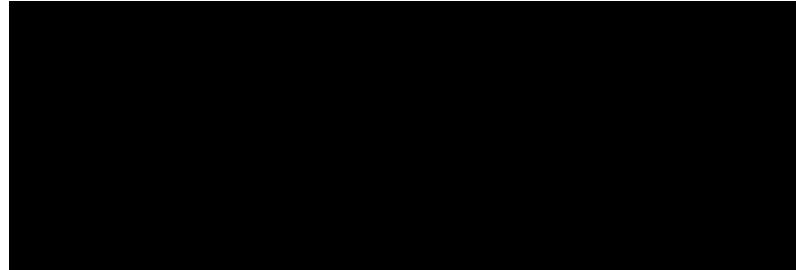

For all matters (including Notices of Bank Purchase):

Royal Bank of Canada



and

Royal Bank of Canada



(b) Unless otherwise specified herein, certain notices and other information to be furnished pursuant to the terms of this Agreement shall be delivered as follows:

(i) For each Notice of Bank Purchase, by email transmission. The Trustee shall promptly deliver an original of such Notice of Bank Purchase by postage prepaid, U.S. mail; provided that the receipt of such original is not a condition to the Bank's obligation to advance funds hereunder.

(ii) For each item to be delivered by the Agency to the Bank pursuant to Section 6.06, by email transmission.

**Section 9.05. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Trustee, the Tender Agent, the Agency, the Bank and their respective successors and assigns, except that the Agency may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Bank. This Agreement is a continuing obligation and shall survive the Expiration Date and the payment in full of the Bonds and the obligations of the Agency hereunder and under the Fee Letter. The Bank may grant interests in its rights hereunder as provided in Section 9.10; provided, however, that no such grant shall affect the obligation of the Bank to purchase Eligible Bonds as herein provided.

Notwithstanding any other provision of this Agreement, the Bank may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment under this Agreement and the Fee Letter) to secure obligations of the Bank to a Federal Reserve Bank, without notice to or consent of the Agency; provided that no such pledge or grant of a security interest shall release the Bank from any of its obligations hereunder or substitute any

such pledgee or grantee for the Bank as a party hereto. Any such assignment shall not create any greater or broader obligation of the Agency.

**Section 9.06. Governing Law; Waiver of Jury Trial; Sovereign Immunity.**

(a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATION LAW); PROVIDED, HOWEVER, THAT THE AUTHORIZATION, ORGANIZATION, CORPORATE POWERS AND LEGAL CAPACITY OF THE AGENCY SHALL BE GOVERNED BY THE LAW OF THE STATE.

(b) TO THE EXTENT PERMITTED BY LAW, EACH PARTY HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION (WHETHER AS A CLAIM, COUNTER-CLAIM, AFFIRMATIVE DEFENSE OR OTHERWISE) BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR THE FEE LETTER OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND RECOGNIZES AND AGREES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE OTHER PARTIES HERETO ENTERING INTO THIS AGREEMENT. EACH PARTY HERETO REPRESENTS AND ACKNOWLEDGES THAT IT HAS REVIEWED THIS PROVISION WITH ITS LEGAL COUNSEL AND THAT IT HAS KNOWINGLY AND VOLUNTARILY WAIVED ANY JURY TRIAL RIGHTS IT MAY HAVE FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL.

(c) Each of the parties hereto irrevocably consents to the service of any and all process in any suit, action or other legal proceeding arising out of or relating to this Agreement or the Fee Letter by the mailing of copies of such process to the respective address for such party as provided in Section 9.04. Notwithstanding anything in this Agreement to the contrary, all mailings under this Section 9.06 shall be by certified mail, return receipt requested.

(d) The covenants and waivers made pursuant to this Section 9.06 shall be irrevocable and unmodifiable and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

**Section 9.07. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page

so delivered shall have the same force and effect as an originally signed version of such signature page.

**Section 9.08. Use of Funds.** The Bank agrees that all funds provided by the Bank hereunder will be funds of the Bank and not directly or indirectly provided from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Agency or any Participant.

**Section 9.09. Extension of Expiration Date.** The Expiration Date may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Agency given to the Bank in the form of Exhibit C no sooner than 180 days prior to and no later than 90 days prior to the then Expiration Date. Within 45 days after receipt of a request for extension, the Bank shall either notify the Agency, the Trustee, the Tender Agent, the Remarketing Agent, S&P and Moody's that the Expiration Date will be extended effective on the then Expiration Date to a new expiration date acceptable to the Bank or notify the Agency, the Trustee, the Tender Agent, the Remarketing Agent, S&P and Moody's that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Agency shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the extension of the Expiration Date is effective.

**Section 9.10. Participations.** The Agency acknowledges and agrees that the Bank may grant participations in its obligations hereunder and with respect to the Bank Bonds and any other Related Documents (collectively, the "*Participated Obligations*") to other financial institutions without notice to or the consent of the Agency and without diminishing the obligations of the Bank hereunder in any manner. The Agency further acknowledges and agrees that upon any such grant the Participants will become owners of a pro rata portion of the Participated Obligations, and the Agency waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Agency shall have no obligation to provide information to any Participant; the grant of such participation shall not limit the obligations of the Bank hereunder; and the Bank will continue to serve as the only contact for the Agency for all matters relating to this Agreement. Notwithstanding any other provisions of this Agreement, the Agency shall not be liable to any Participant for amounts greater than the Agency would be liable to the Bank.

**Section 9.11. Duration.** All representations and warranties of the Agency contained herein or made in connection herewith (including, but not limited to, any statements made in or in connection with any amendment hereto) shall survive the making of and shall not be waived by the execution and delivery of any of the Related Documents or any investigation by the Bank. All covenants and agreements of the Agency contained herein or in the Fee Letter shall continue in full force and effect from and after the date hereof until all obligations owed to the Bank hereunder and under the Fee Letter have been indefeasibly paid in full and fully discharged; provided, however, that the obligations of the Agency under Articles II and III and Sections 9.02 and 9.03 and under each other provision of any Related Document granting a right of indemnity or reimbursement in favor of the Bank shall survive any expiration or termination of this Agreement.

and the payment in full of the Bonds and the obligations of the Agency hereunder and under the Fee Letter.

**Section 9.12. Amendments and Waivers.** No amendment or waiver of any provision of this Agreement nor consent to any departure by the Agency from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank in the case of waivers and signed by the parties hereto in the case of amendments; provided, however, that the Expiration Date may be extended in accordance with Section 9.09 hereof by instruments in writing signed solely by the Bank and with written notice to the Trustee, the Tender Agent, the Remarketing Agent, the Agency, S&P and Moody's; provided, further, that no EMMA Amendment shall become effective until the occurrence of a mandatory tender of the Bonds in accordance with Section 207 of the Supplemental Trust Agreement. In the event that the Agency and the Bank enter into any EMMA Amendment, the Agency hereby covenants to (1) post a final draft of such EMMA Amendment on EMMA ten (10) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the Agency and the Bank), and (2) to cause the Trustee to provide notice of such EMMA Amendment to the holders of the Bonds fifteen (15) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the Agency and the Bank). Failure of the Agency to comply with the covenants described in the preceding sentence shall be considered a covenant default under Section 8.01(c). Notwithstanding anything set forth in this Section 9.12, any amendment to any provision of this Agreement other than an EMMA Amendment, whether or not contained in an amendment to this Agreement which includes an EMMA Amendment, shall become effective on the date set forth in such amendment whether or not the Agency has complied with the third to last sentence of this paragraph prior to the effective date of such amendment.

Any waiver of or amendment to any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Agreement should be breached by the Agency and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

**Section 9.13. No Implied Waiver; Cumulative Remedies.** No course of dealing and no delay or failure of the Bank in exercising any right, power or privilege under any of the Related Documents shall affect any other or future exercise thereof or exercise of any right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Bank under this Agreement and the Fee Letter are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have under any Related Document, at law or in equity.

**Section 9.14. Severability.** Any provision of this Agreement or the Fee Letter that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or thereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

**Section 9.15. Headings.** Section headings in this Agreement and the Fee Letter are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Agreement or the Fee Letter.

**Section 9.16. Waiver of Rule of Construction.** Each party hereto hereby waives any and all provisions of law to the effect that an ambiguity in a contract or agreement should be interpreted against the party responsible for its drafting.

**Section 9.17. Complete and Controlling Agreement.** This Agreement and the other Related Documents completely set forth the agreements among the Bank, the Trustee, the Tender Agent and the Agency and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Tender Agent and the Agency relating to all matters set forth herein and in the other Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument, and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the other Related Documents except as otherwise expressly agreed to in writing by the parties hereto or to such other Related Document.

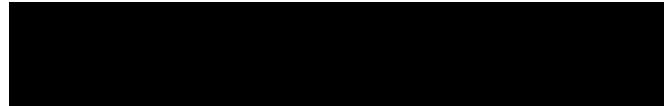
**Section 9.18. USA Patriot Act.** The Bank hereby notifies the Agency that, pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001); the “*USA Patriot Act*”), it is required to obtain, verify and record information that identifies the Agency, which information includes the name and address of the Agency and other information that will allow the Bank to identify the Agency in accordance with said Act. The Agency shall promptly provide such information upon request.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

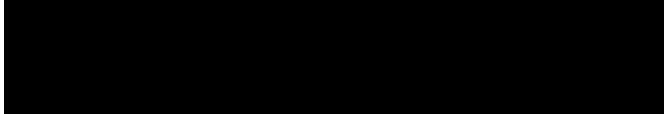
NORTH CAROLINA HOUSING FINANCE  
AGENCY

By \_\_\_\_\_



[Signatures continued on following page]

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee and as  
Tender Agent

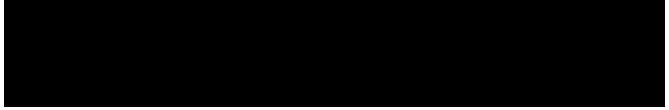
By \_\_\_\_\_  


[Signatures continued on following page]

Signature Page to Standby Bond Purchase Agreement

ROYAL BANK OF CANADA

By: \_\_\_\_\_



Signature Page to Standby Bond Purchase Agreement

**EXHIBIT A**  
**FORM OF NOTICE OF BANK PURCHASE**

The undersigned, a duly authorized officer of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (in such capacity, the “*Trustee*”), hereby certifies to Royal Bank of Canada (the “*Bank*”), in accordance with the Standby Bond Purchase Agreement dated as of November 18, 2025 (as in effect on the date hereof, the “*Standby Bond Purchase Agreement*”), by and among North Carolina Housing Finance Agency (the “*Agency*”), the Trustee and Tender Agent and the Bank relating to the Agency’s Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT) (1998 Trust Agreement) (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Standby Bond Purchase Agreement), that:

1. Eligible Bonds have been tendered or deemed tendered for purchase pursuant to Section [\_\_\_\_] of the Supplemental Trust Agreement.
2. To the Trustee’s actual knowledge, no Immediate Termination Event or Immediate Suspension Event described in Section 8.02 of the Standby Bond Purchase Agreement has occurred.
3. Insufficient moneys are available for such purchase pursuant to Section 209 of the Supplemental Trust Agreement.
4. The Trustee hereby requests the payment of Purchase Price in the amount of \$\_\_\_\_\_.
5. The portion of the Purchase Price requested hereby relating to principal of the Eligible Bonds for which there are not sufficient moneys referred to above is \$\_\_\_\_\_, which amount does not exceed the Available Principal Commitment, and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Bonds for which there are not sufficient moneys referred to above is \$\_\_\_\_\_, which amount does not exceed the Available Interest Commitment.
6. Upon completion of purchase, the Trustee will register such Eligible Bonds or, if an Eligible Bond to be purchased pursuant to Section [\_\_\_\_] of the Supplemental Trust Agreement has not been delivered, a new Eligible Bond issued in replacement of the undelivered Eligible Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the bond register and will promptly deliver such Eligible Bonds to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Bonds in trust for the benefit of the Bank, provided that if the Bonds are in book entry form, the Trustee will hold Bank Bonds in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Bond Purchase Agreement.
7. The funds requested hereunder shall be transferred to the Trustee as follows:  
[PLEASE PROVIDE]

8. The Purchase Date is \_\_\_\_\_, \_\_\_\_.
9. The Investor CUSIP Number is [\_\_\_\_\_] and the Bank Bond CUSIP Number is [\_\_\_\_\_] .

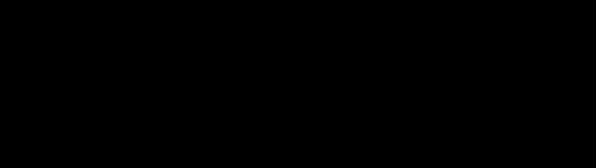
IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

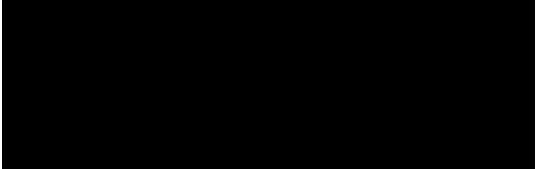
THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**  
**FORM OF NOTICE OF TERMINATION DATE**

[DATE]

The Bank of New York Mellon Trust Company, N.A., as Trustee and as Tender Agent  


  
RBC Capital Markets, LLC,  
as Remarketing Agent



\$99,000,000

North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)

Ladies and Gentlemen:

Royal Bank of Canada (the “*Bank*”), pursuant to Section 8.03 of the Standby Bond Purchase Agreement dated as of November 18, 2025 (the “*Agreement*”), by and among North Carolina Housing Finance Agency, The Bank of New York Mellon Trust Company, N.A., as Trustee and as Tender Agent, and the *Bank*, relating to the above captioned bonds (any capitalized term used herein and not defined shall have its respective meaning as set forth in the *Agreement*), hereby requests that the Trustee call all Eligible Bonds for mandatory tender pursuant to Section 207 of the Supplemental Trust Agreement as described in Section 8.03(b) of the *Agreement* and notifies you that an Event of Default pursuant to Section 8.01 of the *Agreement* has occurred and that as a result thereof the *Agreement* shall terminate on the date that is 30 days after the Trustee’s receipt of this notice.

Sincerely,

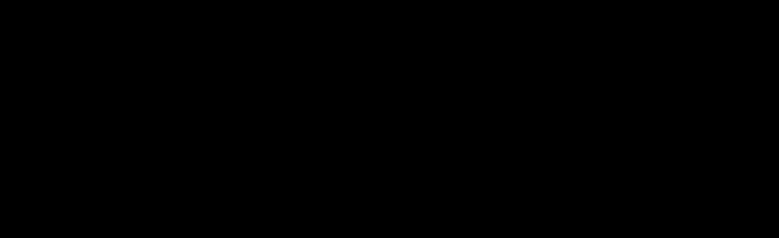
ROYAL BANK OF CANADA

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

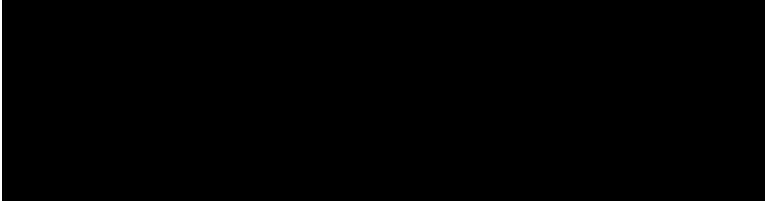
## EXHIBIT C

### FORM OF REQUEST FOR EXTENSION

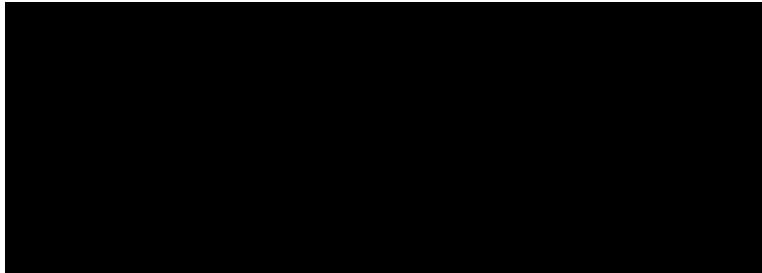
Royal Bank of Canada



Royal Bank of Canada



Royal Bank of Canada



\$99,000,000

North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)

Ladies and Gentlemen:

Reference is hereby made to the Standby Bond Purchase Agreement dated as of November 18, 2025 (the “*Agreement*”), by and among North Carolina Housing Finance Agency (the “*Agency*”), The Bank of New York Mellon Trust Company, N.A., as Trustee and as Tender Agent, and Royal Bank of Canada (the “*Bank*”), relating to the above captioned bonds. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement. The Agency hereby requests, pursuant to Section 9.09 of the Agreement, that the Expiration Date for the Agreement be extended to [DATE]. Pursuant to Section 9.09 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Bonds;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Agency of its decision with respect to this request for extension within 45 days after the date of receipt hereof. If the Bank fails to notify the Agency of its decision within such 45-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

NORTH CAROLINA HOUSING FINANCE  
AGENCY

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

cc: The Bank of New York Mellon Trust Company, N.A.,  
as Trustee and as Tender Agent  
RBC Capital Markets, LLC,  
as Remarketing Agent

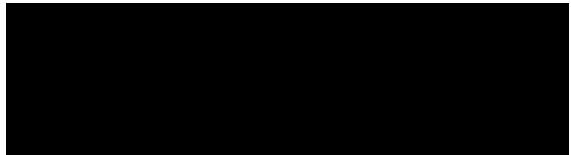
**EXHIBIT D**  
**FORM OF NOTICE OF EXTENSION**

[DATE]

The Bank of New York Mellon Trust Company,  
N.A., as Trustee and as Tender Agent



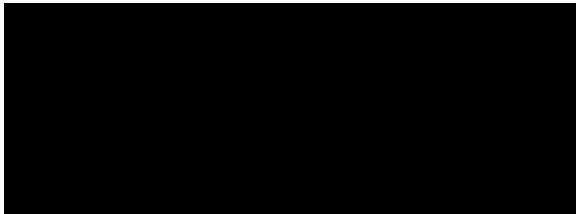
S&P Global Ratings, a division of Standard  
& Poor's Financial Services LLC



North Carolina Housing Finance Agency



Moody's Investors Service, Inc.



RBC Capital Markets, LLC,  
as Remarketing Agent



\$99,000,000

North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)

Ladies and Gentlemen:

Reference is hereby made to the Standby Bond Purchase Agreement dated as of November 18, 2025 (the "Agreement"), by and among North Carolina Housing Finance Agency, The Bank of New York Mellon Trust Company, N.A., as Trustee and as Tender Agent, and Royal Bank of Canada (the "Bank"), relating to the above captioned bonds. The Bank hereby advises you, with reference to the above referenced bonds (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate][:]

1. At the request and for the account of the Agency, we hereby extend the date referenced in the definition of "*Expiration Date*" in the Agreement (as such date may have been extended previously from time to time) to [DATE].

2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

3. This Notice of Extension is an integral part of the Agreement.]

— OR —

[the Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice of Extension as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Sincerely,

ROYAL BANK OF CANADA

By \_\_\_\_\_

Name: \_\_\_\_\_

Authorized Signatory

**EXHIBIT E**  
**FORM OF CERTIFICATE OF COMPLIANCE**

\$99,000,000  
North Carolina Housing Finance Agency  
Home Ownership Variable Rate Revenue Bonds, Series 59-B (Non-AMT)  
(1998 Trust Agreement)

The undersigned, Chief Financial Officer of the North Carolina Housing Finance Agency (the “*Agency*”), pursuant to Section 6.06(b) of the Standby Bond Purchase Agreement dated as of November 18, 2025 (the “*Standby Bond Purchase Agreement*”), by and among the Agency, The Bank of New York Mellon Trust Company, N.A., as Trustee and as Tender Agent, and Royal Bank of Canada (the “*Bank*”), relating to the above captioned bonds, hereby certifies to the Bank, in connection with the delivery of the financial statements attached hereto (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Standby Bond Purchase Agreement), that:

- (i) under his/her supervision the Agency has made a review of its activities during the annual or quarterly period covered by the attached financial statements for purposes of determining whether or not the Agency has complied with all the terms, provisions and conditions of the Standby Bond Purchase Agreement and the other Related Documents (as defined in the Standby Bond Purchase Agreement); and
- (ii) to the best of his/her knowledge, no Default or Event of Default has occurred or, if a Default or Event of Default has occurred, the nature and status of such Default or Event of Default and the remedial steps taken or proposed to be taken to correct such Default or Event of Default are set forth in Annex I to this Certificate of Compliance.

[The information required by the terms of Section 6.06(b)(ii) is attached hereto as Annex II.]

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

NORTH CAROLINA HOUSING FINANCE  
AGENCY

By \_\_\_\_\_  


## **ANNEX I**

### **LIST OF DEFAULTS OR EVENTS OF DEFAULT AND REMEDIAL ACTIONS**

[COMPLETE AS APPROPRIATE]

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## **APPENDIX I**

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**FORM OF THE SERIES 59-B REMARKETING AGREEMENT**

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## APPENDIX I

### REMARKETING AGREEMENT FOR SERIES 59-B BONDS

This Remarketing Agreement is dated and effective as of November 18, 2025 between the North Carolina Housing Finance Agency (the “Issuer”) and RBC Capital Markets, LLC (the “Remarketing Agent” or “RBCCM”).

Whereas, on the date hereof, the Issuer has issued its Series 59-B Variable Rate (Non-AMT) Bonds in the aggregate principal amount of \$99,000,000 (the “Bonds”), pursuant to that certain Trust Agreement dated as of May 1, 1998 between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the “Trustee”) as amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2023 between the Issuer and the Trustee (the “Trust Agreement”), and the Fifty-Ninth Supplemental Trust Agreement dated as of November 1, 2025, by and between the Issuer and the Trustee (the “Fifty-Ninth Supplemental Trust Agreement” and together with the Trust Agreement, the “Trust Agreements”); and

Whereas, pursuant to the terms of the Trust Agreements and subject to the conditions described therein, the Bonds bearing interest at a Daily Interest Rate or a Weekly Interest Rate (as defined in the Trust Agreements) are subject to tender for purchase by the holders thereof at various times before the maturity thereof;

Whereas, to provide liquidity for tendered Bonds, the Issuer has entered into a Standby Bond Purchase Agreement, dated as of November 18, 2025 (the “Series 59-B Liquidity Facility”), with the Royal Bank of Canada (the “Bank”) and The Bank of New York Mellon Trust Company, N.A., as Trustee and Tender Agent for the Bonds; and

Whereas, the Issuer has appointed the Remarketing Agent (and the Remarketing Agent by execution hereby accepts the appointment) as Remarketing Agent pursuant to the Trust Agreements; and

Whereas, the Issuer and the Remarketing Agent desire to make additional provisions regarding the Remarketing Agent’s role as Remarketing Agent for the Bonds.

Now, therefore, for and in consideration of the covenants herein made, the Issuer and the Remarketing Agent hereby agree as follows:

*Section 1. Definitions.* All capitalized terms used in this Remarketing Agreement which are not otherwise defined herein shall have the meanings ascribed to them in the Trust Agreements.

*Section 2. Duties.* In reliance upon the representations and agreements, but subject to the terms and conditions contained in the Trust Agreements and in this Remarketing Agreement, the Issuer hereby appoints the Remarketing Agent, and the Remarketing Agent hereby accepts such appointment, as exclusive remarketing agent in connection with the offering and sale of the Bonds from time to time in the secondary market subsequent to the initial offering, issuance and sale of the Bonds.

The Remarketing Agent will perform the duties specified as Remarketing Agent under the Trust Agreements and this Remarketing Agreement. In acting as Remarketing Agent, the Remarketing Agent will act as agent and not as principal except as expressly provided in this Section.

The Remarketing Agent may, if it determines to do so in its sole discretion, buy as principal any such Bonds but it will not in any event be obligated to do so.

Notwithstanding the foregoing or any other provisions of this Remarketing Agreement, the Trust Agreements or the Series 59-B Liquidity Facility, the use of the term “agent” with reference to the Remarketing Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an independent contractor relationship between contracting parties and the Remarketing Agent acts as an independent broker-dealer and exercises its own independent judgment in connection with its rights and duties as

Remarketing Agent, which include but are not limited to: (i) the duty to set the weekly rate pursuant to the terms and provisions of this Remarketing Agreement and the Trust Agreements, and (ii) the duty to utilize commercially reasonable best efforts to remarket tendered Bonds under the terms and provisions of this Remarketing Agreement and the Trust Agreements. The Remarketing Agent has the right to purchase and sell bonds for its own account and may in its own discretion, but is not obligated to, tender any Bonds it has purchased for its own account to the Tender Agent (as such terms are defined in the Trust Agreements). While exercising these rights and duties, the Remarketing Agent does not act at the direction of any of the Issuer, the Trustee, the Tender Agent or the Liquidity Provider.

The Issuer acknowledges and agrees that: (i) the transaction contemplated by this Remarketing Agreement is an arm's length, commercial transaction between the Issuer and RBC CM in which RBC CM is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (ii) RBC CM has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether RBC CM has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations RBC CM has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Remarketing Agreement; (iv) the Issuer has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate; and (v) the responsibilities and obligations of RBC CM under this Remarketing Agreement are purely contractual in nature and the RBC CM is not undertaking and is not serving in the capacity as agent under the law of agency.

*Section 3. Disclosure Statement.*

- (a) If the Remarketing Agent determines that it is necessary or desirable to use a disclosure statement in connection with its offering of the Bonds, the Remarketing Agent will notify the Issuer and the Issuer will provide the Remarketing Agent with a disclosure statement satisfactory to the Remarketing Agent and its counsel in respect of the Bonds (the "Disclosure Statement"). The Issuer will supply the Remarketing Agent with such number of copies of the disclosure statement and documents related thereto as the Remarketing Agent requests from time to time and will amend the disclosure statement (and/or the documents incorporated by reference in it) so that at all times the disclosure statement and any documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in such documents, in the light of the circumstances under which they were made, not misleading. If the Issuer does not perform its obligations under this Section, the Remarketing Agent may immediately cease remarketing efforts.
- (b) The Issuer has previously prepared and delivered to the Remarketing Agent a copy of the Official Statement, dated November 3, 2025, including appendices consisting of financial and other information in respect of the Issuer and the Bank. The Issuer authorizes the use by the Remarketing Agent of the Official Statement in connection with the remarketing of Bonds. For purposes of this Remarketing Agreement, the Official Statement and any other documents provided to the Remarketing Agent pursuant to paragraph (a) of this Section shall be considered to be the Disclosure Statement.

*Section 4. Representations, Warranties, Covenants and Agreements of the Remarketing Agent.* The Remarketing Agent, by its acceptance hereof, represents, warrants, covenants and agrees with the Issuer as follows:

- (a) It is authorized by law to perform all the duties imposed upon it by the Trust Agreements and this Remarketing Agreement.
- (b) The execution and delivery of this Remarketing Agreement and the consummation of the transactions contemplated herein and in the Trust Agreements will not conflict with or constitute on the part of the Remarketing Agent a breach of or default under its charter documents, its by-laws, or any statute, indenture, mortgage, deed of trust, lease, note agreement or other agreement or instrument to which the Remarketing Agent is a party or by which it or its properties are bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Remarketing Agent or any of its activities or properties.

- (c) This Remarketing Agreement has been duly authorized, executed and delivered by the Remarketing Agent.
- (d) The Remarketing Agent will use its commercially reasonable best efforts to remarket the Bonds pursuant to this Remarketing Agreement.

*Section 5. Representations, Warranties, Covenants and Agreements of the Issuer.* The Issuer, by its acceptance hereof, represents, warrants, covenants, and agrees with the Remarketing Agent as follows:

- (a) It has full power and authority to take all actions required or permitted to be taken by it or under, and to perform and observe the covenants and agreements on its part contained in, the Issuer Documents and any other instrument or agreement relating thereto to which it is a party (collectively, the "Closing Documents").
- (b) It has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for: (i) the execution, delivery and performance of the Closing Documents which have been executed in connection with the transactions contemplated by the foregoing documents, and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Official Statement; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.
- (c) The Closing Documents which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, will constitute its legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws, or equitable principles relating to or limiting creditors' rights generally.
- (d) The execution and delivery of the Closing Documents and which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not violate any law, regulation, order, writ, injunction or decree of any court or governmental body or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer pursuant to any mortgage, resolution, agreement or instrument to which the Issuer is a party or by which it or any of its properties is bound other than those provided for in or contemplated by the Bond Documents (as defined in the Trust Agreements).
- (e) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Issuer of the Closing Documents and which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement have been obtained, given or taken and are in full force and effect; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.
- (f) To the knowledge of the Issuer, other than as described in the Official Statement or the Disclosure Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or affecting it wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition or solvency of the Issuer or the ability of the Issuer to perform its obligations under the Closing Documents or any other agreement or instrument to which it is a party and which is used or contemplated for use in consummation of the transactions contemplated hereby or by the Official Statement or the Disclosure Statement.
- (g) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Remarketing Agent as the Remarketing Agent may reasonably request (A) to (y) qualify the Bonds for offer

and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Remarketing Agent may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Remarketing Agent immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(h) In order to assist the Remarketing Agent to comply with its obligations under MSRB Rule G-34(c), the Issuer shall provide to the Remarketing Agent, the following documents at the following times:

- (i) The Issuer agrees to provide information to satisfy “Know Your Client,” “Anti-Money Laundering” and Terrorist Financing” rules and regulations, in each case, in accordance with the Remarketing Agent’s requirements.
- (ii) On the effective date of this Remarketing Agreement, an executed copy of such of the documents set forth in the Contract of Purchase for the Bonds, dated October 29, 2025 (the Contract of Purchase) by and between RBC Capital Markets, LLC, the Local Government Commission and the Issuer, which in the judgment of the Remarketing Agent are required to comply with its obligations under MSRB Rule G-34(c), including the Letter of Credit Agreement and Reimbursement Agreement, or Standby Bond Purchase Agreement (the Rule G-34 Documents);
- (iii) No later than ten business days prior to the proposed date of any amendment, including an extension or renewal of the expiration date, or replacement or termination, of the then current Rule G-34 Documents, written notice (which may be by electronic means) that the current Rule G-34 Documents are proposed to be amended, extended, renewed, replaced or terminated, as the case may be, and the expected date of execution and delivery of the amendment, extension, renewal, replacement or termination, as the case may be, of the relevant Rule G-34 Documents;
- (iv) Within one business day after the execution and delivery of any amendment, including any renewal, extension, replacement or termination of the then current Rule G-34 Documents, as the case may be, a copy of the executed amendment, renewal, extension, replacement or termination thereof;
- (v) No later than three business days after receiving a request therefor from the Remarketing Agent, any other Rule G-34 Documents not previously provided to the Remarketing Agent or as otherwise required by the MSRB after the effective date of this Remarketing Agreement; and
- (vi) The Issuer shall provide such documents to the Remarketing Agent in word searchable PDF format or other electronic format suitable for filing in accordance with the electronic filing requirements of the MSRB.
- (vii) If the Issuer desires to redact any information from a Rule G-34 Document (e.g., bank routing numbers, fees, staff names and contact information), it shall provide the Remarketing Agent with (a) a clean final execution copy of such document, (b) a marked final execution copy of such document showing all such redactions and (c) the final execution copy of such document as redacted. The Remarketing Agent will submit only the final execution copy as redacted to the MSRB for filing (but also may submit for MSRB review any of the other versions i.e., (a) and (b), of such documents the MSRB may require for it to approve filing of the as redacted document in accordance with its rules and guidelines).

*Section 6. Conditions To Remarketing Agent's Obligations.* The obligations of the Remarketing Agent under this Remarketing Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the

Issuer of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Issuer contained herein, on and as of the date of delivery of this Remarketing Agreement. The obligations of the Remarketing Agent on and as of each date on which Bonds are to be offered and sold pursuant to this Remarketing Agreement are also subject to the following further conditions:

- (a) Each of the Closing Documents shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates and opinions, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent; and
- (b) No Event of Default (as such term is defined in the Closing Documents) shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an Event of Default.

*Section 7. Indemnification and Contribution.*

- (a) The Issuer will indemnify and hold harmless the Remarketing Agent, each of its directors, officers and employees and each person who controls the Remarketing Agent within the meaning of § 15 of the Securities Act of 1933, as amended (such Act being herein called the “Act” and any such person being herein sometimes called an “Indemnified Party”), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Disclosure Statement or any amendment thereof or supplement thereto, or the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but the Issuer shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Issuer by the Remarketing Agent specifically for use in connection with the preparation thereof, or if the person asserting any such loss, claim, damage or liability purchased Bonds from the Remarketing Agent, if delivery to such person of the Disclosure Statement or any amendment or supplement to it would have been a valid defense to the action from which such loss, claim, damage or liability arose and if the same was not delivered to such person by or on behalf of the Remarketing Agent. This indemnity agreement shall not be construed as a limitation on any other liability that the Issuer may otherwise have to any Indemnified Party.
- (b) The Remarketing Agent shall indemnify and hold harmless the Issuer, and each of its directors, officers or employees and each person who controls the Issuer within the meaning of § 15 of the Act (for purposes of this paragraph (b), an “Indemnified Party”) against all losses, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and will reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with defending any actions, insofar as such losses, damages, liabilities or actions arise out of or are based upon any untrue statement of a material fact contained in a Disclosure Statement or any amendment thereof or supplement thereto, or the omission to state therein a material fact necessary to make the statements therein not misleading, but only with reference to written information, if any, relating to the Remarketing Agent furnished to the Issuer by the Remarketing Agent specifically for use in the preparation of a Disclosure Statement. The Issuer and the Remarketing Agent agree that any statements set forth in a Disclosure Statement furnished in writing by or on behalf of the Remarketing Agent for inclusion in such documents shall be contained in a section entitled “Remarketing” and that the Remarketing Agent's indemnification pursuant to this paragraph (b) shall be limited to such Section. This indemnity agreement shall not be construed as a limitation on any other liability which the Remarketing Agent may otherwise have to any Indemnified Party, but in no event shall the Remarketing Agent

be obligated to indemnify an Indemnified Party for multiple acts or omissions under this Remarketing Agreement.

(c) An Indemnified Party (as defined in paragraph (a) or paragraph (b) of this § 7) shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Marketing Agent or the Issuer, as the case may be (in either case the “Indemnifying Party”), notify the Indemnifying Party in writing of the commencement thereof. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so as to assume the defense thereof, such Indemnified Party shall reasonably cooperate in the defense thereof, including without limitation, the settlement of outstanding claims, and the Indemnifying Party will not be liable to such Indemnified Party under this § 7 for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation incurred with the consent of the Indemnifying Party, which consent shall not be unreasonably withheld; provided, however, that unless and until the Indemnifying Party assumes the defense of any such action at the request of such Indemnified Party, the Indemnifying Party shall have the right to participate at its own expense in the defense of any such action. If the Indemnifying Party shall not have employed counsel to have charge of the defense of any such action or if any Indemnified Party shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party. Any obligation under this Section of an Indemnifying Party to reimburse an Indemnified Party for expenses includes the obligation to make advances to the Indemnified Party to cover such expenses in reasonable amounts and at reasonable periodic intervals not more often than monthly as requested by the Indemnified Party. Notwithstanding the foregoing, the Indemnifying Party shall not be liable for any settlement of any action or claim affected without its consent, which consent shall not be unreasonably withheld.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) or (b) of this § 7 is due in accordance with its terms but is for any reason held by a court to be unavailable from the Issuer or the Marketing Agent, the Issuer and the Marketing Agent shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Issuer and the Marketing Agent may be subject (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer on the one hand and the Marketing Agent on the other from the remarketing of the Bonds or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuer and the Marketing Agent in connection with the failure to register or qualify certain instruments as described in § 7(a)(i) or in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the Marketing Agent on the other shall be deemed to be in the same proportion as the aggregate principal amount of the Bonds remarketed pursuant to this Remarketing Agreement bear to the total remarketing fees received by the Marketing Agent. The relative fault of the Issuer on the one hand and of the Marketing Agent on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer or by the Marketing Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, in the case of an allegation or determination that the Bonds, the obligations of the Issuer under this Remarketing Agreement or the obligations of the Bank under the Letter of Credit should have been registered under the Act or the Trust Agreements should have been qualified under the Trust Indenture Act, the fault shall be deemed to be entirely that of the Issuer. The amount paid or payable by a party as a result of the losses, claims, damages and liabilities referred to above shall

be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

- (e) The Issuer and the Remarketing Agent agree that it would not be just and equitable if contribution pursuant to this § 7 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this § 7, the Remarketing Agent shall not be required to contribute any amount in excess of the remarketing fee applicable to the Bonds remarketed pursuant to this Remarketing Agreement. No person guilty of fraudulent misrepresentation (within the meaning of § 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.
- (f) The indemnification and contribution agreements of all parties to this Remarketing Agreement contained in this § 7 shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Remarketing Agent, by or on behalf of any person controlling the Remarketing Agent or by or on behalf of the Issuer or (ii) any termination of this Remarketing Agreement.
- (g) For purposes of this § 7, each person who controls the Remarketing Agent within the meaning of § 15 of the Act shall have the same rights as the Remarketing Agent. Any party entitled to contribution shall, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under paragraph (d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under paragraph (d).

*Section 8. Fees and Expenses.*

During the term of this Remarketing Agreement, in consideration of the Remarketing Agent's services as Remarketing Agent, the Agency shall pay the Remarketing Agent an annual remarketing fee equal to 0.09% of the weighted average daily principal amount of all Series 59-B Bonds Outstanding (including Purchased Bonds) during such period that the Series 59-B Bonds shall bear interest at a Daily Interest Rate, and an annual remarketing fee equal to 0.07% of the weighted average daily principal amount of all Series 59-B Bonds Outstanding (including Purchased Bonds) during such period that the Series 59-B Bonds shall bear interest at a Weekly Interest Rate.

The Remarketing Fee shall be payable quarterly in arrears during the term of this Agreement on each January 1, April 1, July 1 and October 1 (commencing on January 1, 2026, determined on a pro rata basis). Any fee due but unpaid upon the termination of this Remarketing Agreement shall be payable upon termination.

The Issuer also will pay all expenses in connection with the preparation of any Disclosure Statement and the registration of the Bonds and any other documents relating to the Bonds under any securities laws, qualifying the Trust Agreements under the Trust Indenture Act and will reimburse the Remarketing Agent for all of its direct out-of-pocket expenses incurred by it as Remarketing Agent under this Remarketing Agreement and the Trust Agreements, including counsel fees and disbursements.

*Section 9. Intention of Parties.* It is the intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided and provided in the Trust Agreements, shall constitute or be construed to be extinguishment of any Bonds or the indebtedness represented thereby or the re-issuance of any Bonds.

*Section 10. Fails.* The Remarketing Agent will not be liable to the Issuer, the Trustee, the Paying and Tender Agent or the Bank on account of the failure of any person to whom the Remarketing Agent has sold a Bond to pay for such Bond or to deliver any document in respect of the sale. It is understood and agreed that the Remarketing Agent shall not be obligated to advance its own funds to purchase, or to effect the purchase of, any Bonds.

*Section 11. Remarketing Agent's Performance.*

- (a) The duties and obligations of the Remarketing Agent as Remarketing Agent shall be determined solely by the express provisions of this Remarketing Agreement and the Trust Agreements, and the Remarketing Agent shall not be responsible for the performance of any other duties and obligations than as are specifically set forth in this Remarketing Agreement and the Trust Agreements, and no implied covenants or obligations shall be read into this Remarketing Agreement or the Trust Agreements against the Remarketing Agent.
- (b) The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Remarketing Agreement or the Trust Agreements and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.
- (c) The Remarketing Agent shall not be liable for any actions taken or omitted to be taken pursuant to this Remarketing Agreement, except for its own gross negligence or willful misconduct.

*Section 12. Termination.* The Remarketing Agent may terminate its obligations under this Remarketing Agreement by notifying the Issuer, the Bank and the Trustee in writing of its election to do so upon the earlier to occur of (a) the expiration or termination of the Series 59-B Liquidity Facility in accordance with its terms or (b) at any time if the market price, marketability or the ability of the Remarketing Agent to remarket the Bonds shall be materially adversely affected, in the sole judgment of the Remarketing Agent, by the occurrence of any of the following:

- (i) legislation shall be enacted by or introduced in either branch of Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the state legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or a final ruling, press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or state income taxation upon revenues or other income of the general character to be derived by the Issuer pursuant to the Bond Resolution, or upon interest received on obligations of the general character of the Bonds or, with respect to state taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or state income tax consequences of any of the transactions contemplated herein;
- (ii) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or
- (iii) any information has become known that, in the reasonable opinion of the Remarketing Agent, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement or any Disclosure Statement, as the information contained therein has been

supplemented or amended by other information, as of the date furnished or supplied to the Remarketing Agent, or causes the Official Statement or any Disclosure Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; or

- (iv) any legislation, resolution, ordinance, rule or regulation is introduced in, or is enacted by any governmental body, department or agency of the United States, the State of North Carolina or the State of New York, or a decision by any court of competent jurisdiction within the United States, the State of North Carolina or the State of New York is rendered that, in the reasonable opinion of the Remarketing Agent, adversely affects the marketability of the Bonds; or
- (v) additional material restrictions not in force as of the date hereof have been imposed on trading in securities generally by any governmental authority or by any national securities exchange; or
- (vi) any governmental authority imposes, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force; or
- (vii) a general banking moratorium is established by federal, North Carolina or New York authorities; or
- (ix) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities; or
- (x) there shall occur any other national or international calamity or crisis, or escalation thereof, in the financial markets or otherwise of the United States or elsewhere; or
- (x) the Remarketing Agent at any time and in its sole discretion determines that a material change in the security of the Bonds renders such security unsatisfactory to it in any respect; or
- (xi) there shall have occurred any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur; or
- (xii) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations or any rating of the Liquidity Provider (other than a reduction in the rating on the Bonds on the date of delivery of an Alternate Liquidity Facility to which the Remarketing Agent has consented); or
- (xiii) any event has occurred or any condition exists that makes untrue or incorrect in any respect any representation or warranty of the Issuer contained in any of the Issuer Documents (including, without limitation, this Remarketing Agreement and the Series 59-B Liquidity Facility); or
- (xiv) the Series 59-B Liquidity Facility for any reason ceases to be in effect; or
- (xv) any "event of default" under the Trust Agreements or the Series 59-B Liquidity Facility occurs and is continuing.

In addition to terminations permitted above, the Remarketing Agent may at any time resign and be discharged of all duties and obligations hereunder and under the Trust Agreements by giving notice, in writing, 30 days prior to the effective date of such resignation, to the Issuer, the Liquidity Provider and the Trustee.

Following termination or resignation of the Remarketing Agent pursuant to this section, the fee provisions contained herein will continue in effect, and each party will pay the other any amounts owing at the time of termination. Unless

otherwise provided for in the Trust Agreements, the rate for the Bonds upon termination shall be the Maximum Rate as provided for in the Trust Agreements until such time as a successor Remarketing Agent is retained.

*Section 13. Miscellaneous.*

(a) except as otherwise provided, any notice or other communication herein required or permitted to be given shall be in writing or by telex or facsimile transmission or by telephone with subsequent written confirmation and may be personally served or sent by United States mail, first class postage prepaid, and shall be deemed to have been given upon receipt by the party notified. For the purposes hereof, the address of the parties (until notice of a change thereof is delivered as provided in this section shall be as follows:

Remarketing Agent:

RBC Capital Markets, LLC  
200 Vesey Street, 8th Floor  
New York, NY 10281  
P: 212.618.2023  
Marlar.Oo@rbccm.com

Issuer:

North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609  
(919) 981-2519  
BAWarner@nchfa.com

The Remarketing Agent and the Issuer may, by notice given under this Remarketing Agreement, designate other addresses to which notices or other communications shall be directed.

(b) This Remarketing Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds merely because of such purchase.

(c) All of the representations, warranties and covenants made in this Remarketing Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any party hereto, (ii) delivery of and any payment for any Bonds hereunder, or (iii) termination or cancellation of this Remarketing Agreement.

(d) Section headings have been inserted in this Remarketing Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(e) If any provision of this Remarketing Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or any other reason, such circumstances shall not have the effect of rendering the provisions in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions of this Remarketing Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(f) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

- (g) The terms of this Remarketing Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by all of the parties hereto.
- (h) This Remarketing Agreement shall be governed by and construed in accordance with the laws of the State of New York; provided, however, that the powers, duties and legal capacity of the Issuer shall be governed by and construed in accordance with the laws of the State of North Carolina.

In witness whereof, the Remarketing Agent and the Issuer have caused this Remarketing Agreement to be signed in their names by undersigned officers, thereunto duly authorized, all as of the day and year first above written.

RBC CAPITAL MARKETS, LLC, as Remarketing Agent

By \_\_\_\_\_  
Name: Jeffrey Sula  
Title Managing Director  
Date November 18, 2025

#### **ACCEPTANCE**

NORTH CAROLINA HOUSING FINANCE AGENCY, as Issuer

ACCEPTED this \_\_\_\_\_ day of November, 2025.

By \_\_\_\_\_  
Name: Brett A. Warner  
Title Chief Financial Officer  
Date November 18, 2025