

NEW ISSUE**BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing statutes and court decisions, assuming continuing compliance with certain conditions imposed by applicable federal tax law as described herein, interest on the Series 69-A Bonds and the Series 69-B Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that (i) interest on the Series 69-A Bonds is a specific preference item for purposes of the alternative minimum tax provisions of the Code applicable to individuals, corporations and other taxpayers and (ii) interest on the Series 69-B Bonds will not be treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals, corporations and other taxpayers and is not included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the Series 69-T Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes. Further, pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, income on the Series 69 Bonds (including any profit on the sale thereof) is free from Rhode Island personal income taxes. See "TAX MATTERS" herein.

\$105,270,000**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION****\$13,850,000 Homeownership Opportunity Bonds, Series 69-A (AMT)****\$83,080,000 Homeownership Opportunity Bonds, Series 69-B (Non-AMT)****\$8,340,000 Homeownership Opportunity Bonds, Series 69-T (Federally Taxable)****Dated: Date of Delivery****Due: As shown on inside cover hereof**

The Series 69-A Bonds (the "Series 69-A Bonds"), the Series 69-B Bonds (the "Series 69-B Bonds") and the Series 69-T Bonds (the "Series 69-T Bonds" and, collectively with the Series 69-A Bonds and the Series 69-B Bonds, the "Series 69 Bonds") of Rhode Island Housing and Mortgage Finance Corporation ("RIHousing") are available only as fully-registered bonds, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 69 Bonds. Individual purchases will be made in book-entry form, in minimum denominations of \$5,000, or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Series 69 Bonds and nominee of DTC, references herein to the Bondholders or registered owners (except under "TAX MATTERS") shall mean Cede & Co. and shall not mean the beneficial owners of the Series 69 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island acts as Trustee for the Series 69 Bonds. Principal and premium, if any, and interest on the Series 69 Bonds are payable by check or wire transfer by the Trustee in its capacity as Paying Agent at its corporate trust office in Dallas, Texas. So long as Cede & Co. or another nominee of DTC is the registered owner of the Series 69 Bonds, payments of the principal of, premium, if any, and interest on the Series 69 Bonds will be made directly to DTC. Disbursement of such payments to Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of Direct Participants and Indirect Participants (as herein defined).

The Series 69 Bonds will bear interest from the Dated Date shown above to their maturity or prior redemption at the rates set forth on the inside cover page hereof, payable semi-annually on each April 1 and October 1, commencing April 1, 2019, and at maturity. Interest on the Series 69 Bonds is computed on the basis of a 30-day month and a 360-day year.

The Series 69 Bonds will not constitute general obligations of RIHousing but will constitute special revenue obligations of RIHousing and will be secured by and payable solely from a pledge of certain Revenues and Accounts established under the Resolution, all as more fully set forth herein. RIHousing has no taxing power. The Series 69 Bonds are not a debt or liability of the State of Rhode Island or any political subdivision thereof.

The Series 69 Bonds are offered when, as and if issued, and received by the Underwriters and subject to approval of legality of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and for RIHousing by its Special Counsel, Nixon Peabody LLP, Providence, Rhode Island. It is expected that the Series 69 Bonds in definitive form will be available for delivery in New York, New York on or about September 19, 2018.

RBC Capital Markets**J.P. Morgan****Morgan Stanley****BofA Merrill Lynch****Barclays****George K. Baum & Company****Janney Montgomery Scott****Jefferies****Loop Capital Markets****Oppenheimer & Co.****Roosevelt & Cross, Inc.**

August 22, 2018

MATURITY SCHEDULE

\$13,850,000 Series 69-A Bonds

\$13,850,000 Series 69-A Serial Bonds

<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>CUSIP[†]</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>CUSIP[†]</u>
April 1, 2019	\$ 80,000	1.80%	76221RXT5	October 1, 2024	\$1,090,000	2.85%	76221RYE7
October 1, 2019	115,000	1.90	76221RXU2	April 1, 2025	1,115,000	2.95	76221RYF4
April 1, 2020	115,000	2.00	76221RXV0	October 1, 2025	1,140,000	3.00	76221RYG2
October 1, 2020	120,000	2.10	76221RXW8	April 1, 2026	1,165,000	3.15	76221RYH0
April 1, 2021	120,000	2.20	76221RXX6	October 1, 2026	1,195,000	3.20	76221RYJ6
October 1, 2021	125,000	2.30	76221RXY4	April 1, 2027	1,225,000	3.30	76221RYK3
April 1, 2022	125,000	2.40	76221RXZ1	October 1, 2027	1,255,000	3.35	76221RYL1
October 1, 2022	130,000	2.50	76221RYA5	April 1, 2028	1,285,000	3.40	76221RYM9
April 1, 2023	135,000	2.60	76221RYB3	October 1, 2028	1,315,000	3.45	76221RYN7
October 1, 2023	135,000	2.65	76221RYC1	April 1, 2029	1,265,000	3.50	76221RYP2
April 1, 2024	600,000	2.80	76221RYD9				

\$83,080,000 Series 69-B Bonds

\$13,765,000 3.55% Series 69-B Term Bonds due October 1, 2033 CUSIP[†]: 76221RYQ0

\$17,990,000 3.85% Series 69-B Term Bonds due October 1, 2038 CUSIP[†]: 76221RYR8

\$19,835,000 3.95% Series 69-B Term Bonds due October 1, 2043 CUSIP[†]: 76221RYS6

\$31,490,000 4.00% Series 69-B Term Bonds due October 1, 2048 (PAC Bonds) CUSIP[†]: 76221RYT4

Price of PAC Bonds: 106.087%

\$8,340,000 Series 69-T Bonds

\$8,340,000 Series 69-T Serial Bonds

<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>CUSIP[†]</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>CUSIP[†]</u>
April 1, 2019	\$525,000	2.55%	76221RYU1	April 1, 2022	\$835,000	3.20%	76221RZA4
October 1, 2019	740,000	2.70	76221RYV9	October 1, 2022	860,000	3.25	76221RZB2
April 1, 2020	755,000	2.85	76221RYW7	April 1, 2023	875,000	3.30	76221RZC0
October 1, 2020	775,000	2.95	76221RYX5	October 1, 2023	900,000	3.35	76221RZD8
April 1, 2021	800,000	3.10	76221RYZ3	April 1, 2024	460,000	3.40	76221RZE6
October 1, 2021	815,000	3.15	76221RYZ0				

Price of all Series 69 Bonds other than the PAC Bonds: 100%

[†] CUSIP numbers have been assigned by an organization not affiliated with RIHousing and are included for the convenience of the owners of the Series 69 Bonds. RIHousing is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 69 Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement in connection with the issuance of the Series 69 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by RIHousing or the Underwriters. This Official Statement does not constitute an offer to sell the Series 69 Bonds or a solicitation of an offer to buy, nor shall there be any sale of the Series 69 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been furnished by RIHousing and by other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. 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 implications that there has been no change in the affairs of RIHousing, the lending institutions or any other parties described herein since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 69 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

**Official Statement
Relating To**

\$105,270,000

Homeownership Opportunity Bonds

\$13,850,000 Series 69-A (AMT)

\$83,080,000 Series 69-B (Non-AMT)

\$8,340,000 Series 69-T (Federally Taxable)

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information concerning the Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) and the issuance of its Homeownership Opportunity Bonds, Series 69-A (AMT) (the “Series 69-A Bonds”), its Homeownership Opportunity Bonds, Series 69-B (Non-AMT) (the “Series 69-B Bonds”; together with the Series 69-A Bonds, the “Series 69 Tax-Exempt Bonds”) and its Homeownership Opportunity Bonds, Series 69-T (Federally Taxable) (the “Series 69-T Bonds” and, collectively with the Series 69-A Bonds and the Series 69-B Bonds, the “Series 69 Bonds”) in the respective principal amounts shown above. RIHousing is a public corporation and instrumentality and agency of the State of Rhode Island and Providence Plantations (the “State”), created by the Rhode Island Housing and Mortgage Finance Corporation Act, constituting Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended and supplemented (the “Act”).

The Series 69-A Bonds, the Series 69-T Bonds and a portion of the Series 69-B Bonds are being issued to refund certain outstanding Bonds (as hereinafter defined) issued to make funds available to purchase Program Loans to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families as described herein. In connection with the refunding of such Bonds, certain Program Loans in an anticipated principal amount of approximately \$28.3 million (as of March 31, 2018) currently allocated to the Bonds being refunded will be reallocated to the Series 69 Bonds (such Program Loans hereinafter referred to as the “Reallocated Series 69 Program Loans”). See **“REALLOCATED SERIES 69 PROGRAM LOANS”** herein.

The balance of the proceeds of the Series 69-B Bonds will be applied to the origination of new Program Loans (the “New Series 69 Program Loans”) to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families. Approximately \$64.7 million principal amount of the New Series 69 Program Loans are expected to be pooled into Program Securities (as hereinafter defined) issued by the Government National Mortgage Association. See **“APPENDIX A — DESCRIPTION OF CERTAIN PRIMARY MORTGAGE INSURANCE, FEDERAL HOUSING PROGRAMS, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) AND THE GNMA SECURITIES, AND RHODE ISLAND MORTGAGE FORECLOSURE PROCEDURES — Government National Mortgage Association (GNMA) and the GNMA Securities.”**

The Series 69 Bonds are being issued pursuant to the Act and RIHousing’s General Homeownership Opportunity Program Bond Resolution adopted October 19, 1988 (the “Bond Resolution”), as supplemented by a Supplemental Resolution thereto, adopted on June 28, 2018 (the “Series 69 Resolution,” and, together with the Bond Resolution as heretofore supplemented, the “Resolution”). Reference is hereby made to the Bond Resolution and the Series 69 Resolution for a full statement of the authority for, and the terms and provisions of, the Series 69 Bonds and the covenants and agreements made for the security of the Series 69 Bonds.

The Series 69 Bonds are secured on a parity with RIHousing's \$554,555,000 principal amount of outstanding Homeownership Opportunity Bonds (as of March 31, 2018) issued under the Bond Resolution, and shall be on a parity with any additional Homeownership Opportunity Bonds hereafter issued pursuant to the Bond Resolution (collectively, the "Bonds"). See **"APPENDIX E — SUMMARY OF OUTSTANDING BOND INDEBTEDNESS OF RIHOUSING."**

All references herein to the Act, the Bond Resolution, the Bonds and the Series 69 Resolution are qualified in their entirety by reference to each such document, copies of which are available from RIHousing, and all references to and summaries of the Act, the Bond Resolution, the Series 69 Resolution and the Bonds in this Official Statement are qualified in their entirety by reference to the definitive forms thereof and the information contained therein. **Capitalized terms not otherwise herein defined are used as defined in the Bond Resolution.** (See **"APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Certain Definitions"** for definitions of certain capitalized terms used herein.)

INTRODUCTION

RIHousing was created for the purpose of stimulating the construction and rehabilitation of residential housing for persons and families of low and moderate income. Under authority granted in the Act, RIHousing has established a Homeownership Opportunity Program (the "Program") pursuant to which it can finance (i) Mortgage Loans, Home Repair Loans and Extra Assistance Loans, as defined herein (collectively, the "Program Loans") and (ii) obligations representing an undivided interest in a pool of mortgage loans guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (the "Program Securities"), for the purpose of providing owner-occupied housing for persons and families of low and moderate income as determined by RIHousing under the standards set forth in the Act. Program Loans and Program Securities are referred to herein collectively as the "Program Obligations." See **"HOMEOWNERSHIP OPPORTUNITY PROGRAM."** Substantially all of the Reallocated Series 69 Program Loans are secured by first lien mortgages on single family owner-occupied dwelling units. See **"REALLOCATED SERIES 69 PROGRAM LOANS."** RIHousing expects that approximately \$64.7 million of the New Series 69 Program Loans also will be so secured and will be pooled into Program Securities guaranteed by the Government National Mortgage Association. See **"APPENDIX A — DESCRIPTION OF CERTAIN PRIMARY MORTGAGE INSURANCE, FEDERAL HOUSING PROGRAMS, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) AND THE GNMA SECURITIES, AND RHODE ISLAND MORTGAGE FORECLOSURE PROCEDURES — Government National Mortgage Association (GNMA) and the GNMA Securities."**

The Bond Resolution authorizes Bonds to be issued to provide funds to RIHousing to finance Program Obligations, to refund outstanding Bonds and to fund the various Accounts established under the Bond Resolution. Certain requirements with respect to Program Loans (the "Series Program Determinations") are provided for in Supplemental Resolutions with respect to each Series of Bonds. Such Series Program Determinations shall include, in part, whether each Program Loan shall be secured by a first lien, a coordinate first lien, a second lien, a third lien or a combination thereof and the required primary mortgage insurance, if any, and the levels of coverage thereof. RIHousing expects that approximately \$3.4 million of New Series 69 Program Loans will be second- or third-lien Extra Assistance Loans (as hereinafter defined). See **"HOMEOWNERSHIP OPPORTUNITY PROGRAM—General."**

The Series 69 Bonds are subject to redemption, including redemption at par under certain circumstances, at the times, at the prices and upon the conditions, all as described herein. See **"DESCRIPTION OF THE SERIES 69 BONDS—Redemption Provisions"** herein.

All Bonds issued and to be issued under the Resolution are special revenue obligations of RIHousing, payable solely from and secured by a pledge of (i) the Revenues received by or for the account of RIHousing from Program Obligations purchased under the Resolution, (ii) moneys and securities held in all Accounts

(except the Rebate Account) established under the Resolution, including the investments thereof and the proceeds of such investments, and (iii) all Program Obligations financed by RIHousing from the proceeds thereof.

THE SERIES 69 BONDS ARE SPECIAL REVENUE OBLIGATIONS OF RIHOUSING, PAYABLE SOLELY OUT OF THE REVENUES, MONEYS, FUNDS OR PROPERTY OF RIHOUSING PLEDGED THEREFOR UNDER THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR THE INTEREST ON, THE SERIES 69 BONDS. THE STATE IS NOT LIABLE FOR THE SERIES 69 BONDS, AND THE SERIES 69 BONDS ARE NOT A DEBT OF THE STATE. RIHOUSING HAS NO TAXING POWER.

RIHOUSING

General

RIHousing was created in 1973 as a public corporation and instrumentality and agency of the State, but does not constitute a department of State government. Under the Act, the purpose of RIHousing is to encourage the investment of private capital and stimulate the construction and rehabilitation of housing for persons and families of low and moderate income, to provide construction and mortgage loans, and to make provision for the purchase of mortgage loans and otherwise as is necessary to accomplish its purposes.

RIHousing has the authority to create subsidiaries and currently has several such subsidiaries (collectively, the "Subsidiaries"). Generally, the Subsidiaries were formed to invest in or hold title to various residential real estate developments, currently or previously financed by RIHousing.

Commissioners of RIHousing

The powers of RIHousing are vested in seven commissioners, consisting of the Director of the Department of Administration, the General Treasurer, the Director of Business Regulation, or the designees thereof, and four members appointed by the Governor with the advice and consent of the State Senate, who among them are to be experienced in all aspects of housing design, development, finance, management and state and municipal finance. The appointed commissioners serve for terms of four years and until they are reappointed or their respective successors are appointed and qualified. The Chairman is designated by the Governor; the Vice Chairman and Treasurer are elected by the members from among their number. The commissioners do not receive compensation. Meetings are held at the call of the Chairman or whenever two commissioners so request. Four commissioners constitute a quorum, and any action taken by RIHousing may be authorized by a resolution approved by a majority but not less than three of the commissioners. A vacancy on the Board of Commissioners does not impair the right of a quorum to exercise all the rights and perform all the duties of RIHousing. The Act provides that if any commissioner of RIHousing is a director, officer or employee of, or has an ownership interest in any entity interested directly or indirectly in a contract with RIHousing, such commissioner must disclose such interest to RIHousing and shall not participate in the authorization of any such contract.

The present commissioners of RIHousing are:

Nicolas P. Retsinas, Chairman.

Mr. Retsinas was appointed as Chairman of the Board of Commissioners on June 30, 2015. Mr. Retsinas was a Senior Lecturer in Real Estate at the Harvard Business School where he taught courses in housing finance and real estate in frontier markets. Mr. Retsinas is Director Emeritus of Harvard University's Joint Center for Housing Studies, a collaborative venture of the Graduate School of Design and the Harvard Kennedy School, and a Lecturer in Housing Studies at the Graduate School of Design.

Prior to his Harvard appointment, Mr. Retsinas served as Assistant Secretary for Housing-Federal Housing Commissioner at the United States Department of Housing and Urban Development and as Director of the Office of Thrift Supervision. Mr. Retsinas also served on the Board of the Federal Deposit Insurance Corporation, the Federal Housing Finance Board and the Neighborhood Reinvestment Corporation. Mr. Retsinas served as Executive Director of RIHousing from 1987 to 1993. He received his master's degree in city planning from Harvard University and his AB in economics from New York University. His term expires on July 1, 2019.

Maria Barry.

Ms. Barry was appointed to the Board of Commissioners by Governor Gina Raimondo on March 8, 2016. She is the Community Development Banking National Executive of Bank of America Merrill Lynch (BAML). Ms. Barry began her career at Ernst & Young and joined BAML in 1987 in the Commercial Credit department. She went on to hold several risk management roles related to training, technology, and asset quality reporting for the Board of Directors. She was promoted to Director of Community Reinvestment Act in 1999, also serving as chair to the Fair Lending Policy Committee. In 2003, she joined BAML's commercial Real Estate Team as Director of Regional Relationship Management where she was responsible for launching a new business to meet the needs of small-to-mid-sized developers. She became the Community Development Banking Market Executive for the Northeast in 2004 and National Executive in February, 2009. Ms. Barry majored in accounting and has a Bachelor of Science degree from the University of Connecticut. Her term expires on July 1, 2020.

Michael DiBiase.

Mr. DiBiase was appointed by Governor Gina Raimondo on January 11, 2015 to serve as the Director of the Department of Administration. Before joining the Administration, Mr. DiBiase was a 14-year veteran of Fidelity Investments, serving in various senior government relations and public affairs roles. In his last position with Fidelity, DiBiase served as Senior Vice President for State Government Relations and Public Affairs, overseeing state and local government relations for the financial services company. Prior to joining Fidelity, he served for six years as a senior aide to Governor Lincoln Almond, holding positions of Chief of Staff and Director of Policy and Legislative Affairs. Mr. DiBiase is a graduate of Boston College and University of Pennsylvania Law School.

Elizabeth M. Tanner, Esq.

Ms. Tanner was appointed by Governor Gina Raimondo on October 27, 2017, to serve as the Director of the Department of Business Regulation. As Director of the Department of Business Regulation, Ms. Tanner will directly oversee the implementation of state laws mandating the regulation and licensing of designated businesses, professions and occupations, among other activities. Previously, Ms. Tanner was Executive Vice President of Client Services at the Rhode Island Commerce Corporation and oversaw the Business Navigation Center and the Stateside

Action Team (STAT) as well as all interactions between the agency and the public. Ms. Tanner also worked on special projects with an aim to have the agency be the pre-eminent source in Rhode Island for all business needs. Her early career focused in the areas of title insurance and real estate law as well as corporate transactional work, focusing on small businesses. While at the Rhode Island Commerce Corporation, Ms. Tanner oversaw business retention for all in-state businesses and led an effort to streamline and simplify businesses' interactions with government. Ms. Tanner is a graduate of the University of Rhode Island with a B.A. in Political Science, and received her Juris Doctor from Western New England University. A native of Pennsylvania, she lives in Bristol with her family.

Seth Magaziner.

Mr. Magaziner joined the Board on January 6, 2015, upon being sworn in as General Treasurer of the State of Rhode Island. Prior to his election, Mr. Magaziner served as Vice President of Trillium Asset Management, a socially responsible investment firm, where he oversaw the firm's investment strategy for the energy, banking and diversified financials industries. Previously, he worked as a school teacher in rural Louisiana during the aftermath of Hurricane Katrina. He currently serves on the board of Crossroads Rhode Island and has previously served on the boards of Common Cause of Rhode Island, Serve Rhode Island, Marriage Equality Rhode Island and the Bristol 4th of July Committee. Mr. Magaziner is also one of three state treasurers to serve on the executive board of the State Debt Management Network. He is a graduate of Brown University and the Yale School of Management.

Stephen P. McAllister.

Mr. McAllister was appointed to the Board of Commissioners on April 3, 2014. Mr. McAllister is Senior Manager of the Eastern Region for the U.S. Chamber of Commerce. The eastern region covers the six New England states, New York, New Jersey, Delaware, West Virginia and Maryland. Mr. McAllister works with chambers of commerce, members of Congress in each state, their staffs, trade associations and the media across the region to support the US Chamber's agenda. The US Chamber's goal is "to generate stronger, more robust economic growth, create jobs, and expand opportunity for all Americas." Mr. McAllister has experience working in both federal and state government. Mr. McAllister was Director of Advance for Rhode Island Governor Lincoln Chafee (D-RI), and also a Constituent and Community Liaison for United States Senator John E. Sununu (R-NH). Mr. McAllister was elected to the Warwick City Council in November, 2006. His term expired on July 1, 2017. Under the Act, he continues to serve until a successor is appointed and qualified.

Kevin D. Orth.

Mr. Orth was appointed to the Board of Commissioners on June 30, 2015. Mr. Orth is co-Founder and Managing Member of Atlantic American Partners, LLC, a for-profit affordable housing development company based in Providence, RI. Prior to forming Atlantic American in 2001, Mr. Orth was Vice President in charge of acquisitions for Pacific American Properties, Inc. of Sausalito, California and prior to that position was an acquisitions associate at Leggat McCall Properties in Boston. Mr. Orth received a Master of City Planning degree from the University of California, Berkeley and a Bachelor of Arts degree from the University of Maryland. Mr. Orth has been reappointed to the Board of Commissioners with a term expiring July 1, 2021.

Staff

The corporate staff, under the direction of the Executive Director, includes professionals and staff members working in RIHousing's six divisions: executive, finance, homeownership and customer service,

development, loan servicing, and leased housing and rental services. Senior professional staff members of RIHousing include the following:

Barbara G. Fields – Executive Director.

Ms. Fields was named Executive Director of RIHousing in January, 2015. Ms. Fields has 30 years of experience in expanding access to housing, building livable communities and leading economic development efforts. Previously, Ms. Fields served as a Presidential appointee in the Obama administration working as United States Department of Housing and Urban Development’s New England Regional Administrator. Prior to HUD, Ms. Fields worked for 20 years as the founding Executive Director of the Rhode Island office of Local Initiatives Support Corporation (LISC), a national community development financial intermediary; there, she managed \$300 million in real estate and community investments.

Ms. Fields serves on the Advisory Council of the Federal Home Loan Bank of Boston and the Board of Directors of the National Council of State Housing Agencies (NCSHA) and has held leadership positions on other boards, including the Providence Housing Authority; and the Rhode Island Attorney General’s Commission on Lead Paint. Ms. Fields holds degrees from Tufts University and MIT and lives in Providence, Rhode Island.

Carol A. Ventura – Deputy Director.

Ms. Ventura was appointed Director of Development in May, 2005 and appointed Deputy Director on June 23, 2014. She joined RIHousing in August of 2001 as the Policy Programs Manager and was appointed Assistant Director of the Policy Division in 2002. Prior to joining RIHousing, Ms. Ventura worked as the Executive Director of a Community Development organization in northern Rhode Island. Ms. Ventura received a Master of Business Administration from Bryant University and a Bachelor of Science degree from Bryant College.

Kara L. Lachapelle – Chief Financial Officer.

Ms. Lachapelle joined RIHousing in October, 2001 and served as Assistant Controller from 2001 to 2007. She was appointed Controller in January, 2007, appointed Director of Finance in September 2010 and appointed Chief Financial Officer in December, 2013. From 1997 to 2001, Ms. Lachapelle held various positions in public accounting at Rooney, Plotkin & Willey, specializing in governmental and non-profit audit clients. Ms. Lachapelle also worked in the Trust Department at Durfee Attleboro Bank. She is a member of the American Institute of Certified Public Accountants and received a Bachelor of Science degree from Bryant College.

Nicole R. Clement – General Counsel.

Ms. Clement joined RIHousing as General Counsel on March 1, 2016. Prior to joining RIHousing, Ms. Clement was Senior Counsel at Klein Hornig LLP, an affordable housing and community development law firm in Boston, Massachusetts. From 2003 to 2011, Ms. Clement was Senior Counsel in the tax credit syndication group at Holland and Knight LLP. In 2000, Ms. Clement served as law clerk to the Honorable Joseph F. Rodgers, Jr., Chief Judge of the Rhode Island Superior Court. Ms. Clement received a Bachelor of Arts degree in Organizational Behavior and Management from Brown University and a Juris Doctor from the Duke University School of Law.

Christine Hunsinger – Assistant Deputy Director of Policy and Research.

Ms. Hunsinger joined RIHousing in October, 2017, as Assistant Deputy Director of Policy and Research, responsible for providing strategic guidance and leadership to

RIHousing in the development of its goals and initiatives. Prior to joining RIHousing, Ms. Hunsinger was CEO of the strategic communications/public affairs firm BGP Strategies. She has served in several academic and public positions within the State of Rhode Island, including faculty roles at Rhode Island College and Brown University, and as Director of Legislative Affairs in the Lincoln Chaffee administration. Ms. Hunsinger holds a Bachelor's degree from St. Anselm, and a Master's degree of Public Affairs from Brown University.

Lisa Primiano – Chief Operating Officer.

Ms. Primiano joined RIHousing as Chief Operating Officer in October 2017, assuming responsibility for the day-to-day operations within RIHousing and overseeing the Information Technology, Human Resources, Facilities and Quality Control departments. Prior to joining RIHousing, Ms. Primiano served in various capacities for the Rhode Island Department of Environmental Management, most recently as the Chief of the Division of Planning and Development. She has served as Town Planner for the town of Jamestown. Ms. Primiano holds a Bachelor of Arts degree from University of Rhode Island and a Master of Urban Planning degree from Hunter College.

Sarah Sanders – Director of Finance.

Ms. Sanders joined RIHousing in September 2017, as Director of Finance. Prior to joining RIHousing, Ms. Sanders had a 20 year career managing state bond spending programs for the State of Connecticut, Office of the Treasurer, and served as Assistant Treasurer for Debt Management for the last ten years. Prior to that, Ms. Sanders served as the Treasurer of Yankee Energy System, Inc., Connecticut's largest natural gas utility at that time, and previously worked in various other finance and planning positions in the utility industry. Ms. Sanders received a Bachelor of Science degree in Resource Economics from the University of New Hampshire and a Master of Science degree in Resource Economics from the University of Connecticut.

Dora Garcia – Controller.

Ms. Garcia joined RIHousing as Controller in April, 2014. From 2006 to 2014, Ms. Garcia held various positions at Atrion Networking Corporation, most recently as Director of Finance from 2010 to 2014. Prior to Atrion Networking Corporation, Ms. Garcia worked as an Accounting Manager in the manufacturing industry and as an Associate with an accounting firm. Ms. Garcia received a Master of Business Administration degree and a Bachelor of Science degree in Accounting from Johnson & Wales University and is an Affiliate Member of the American Institute of Certified Public Accountants.

Thomas McNulty – Manager of Treasury and Capital Planning.

Mr. McNulty joined RIHousing as Manager of Treasury and Capital Planning in April of 2017. Prior to joining RIHousing, Mr. McNulty worked for Bank of America, N.A. and its predecessor FleetBoston Financial, in the treasury group, where he was responsible for the management of the fixed income portfolio with an emphasis on mortgage backed securities (MBS). Mr. McNulty received a Bachelor of Arts in Economics from the University of Massachusetts at Amherst.

Leslie McKnight – Assistant Deputy Director of Loan Servicing.

Ms. McKnight was appointed Director of Loan Servicing in September, 2003 and was appointed Assistant Deputy Director of Loan Servicing in January, 2017. She joined RIHousing in June, 1995 as the Default Manager. She was appointed Assistant Director of Loan Servicing in July, 2000. Prior to her employment at RIHousing,

Ms. McKnight worked as a Loan Workout Specialist for Plymouth Mortgage Company from 1991 to 1995. Between 1982 and 1991, she held various positions in Retail Banking and Mortgage Lending including Assistant Branch Manager at Citizens Bank. Ms. McKnight received her Bachelor of Science degree in Business Administration from Bryant College.

Peter C. Pagonis – Director of Homeownership.

Mr. Pagonis joined RIHousing in October, 2013 as Lender Services Manager and was appointed Director of Homeownership in August, 2015. Prior to joining RIHousing, Mr. Pagonis worked as a Business Development Advisor with the Peace Corps in León, Nicaragua. From 2000 to 2010, Mr. Pagonis was a Corporate Banking Associate at FleetBoston Financial, a Loan Officer at Bank of America, and an Assistant Vice President at Bank Rhode Island. Mr. Pagonis received a Master of Business Administration degree from Boston University Questrom School of Business and a Bachelor of Arts degree from St. Lawrence University.

Claribel Shavers – Director of Leased Housing and Rental Services.

Ms. Shavers was appointed Director of Leased Housing and Rental Services in December, 2015. Prior to joining RIHousing, Ms. Shavers worked at HUD’s Office of Housing in Boston where she served as a supervisory project manager and chief of asset management since 2012. Prior to HUD, she worked at RIHousing for five years as a housing choice voucher program manager. She has worked in the affordable housing industry, primarily in property management, since 1996. She is fluent in Spanish and received a Bachelor of Science degree in management from Boston University and an MBA from the University of Rhode Island.

Eric Shorter – Director of Development.

Mr. Shorter joined RIHousing in July, 2015. Prior to returning to RIHousing, Mr. Shorter held senior level positions at Omni Development Corporation, Next Street Financial and the Rhode Island office of LISC. He also served as a senior development officer at RIHousing from 1999 to 2003. Mr. Shorter received a Bachelor of Arts degree from Boston College.

The address and telephone number of RIHousing are, respectively, 44 Washington Street, Providence, RI 02903–1721 and (401) 457-1234.

Assistance to the State

The State, from time to time, has sought financial assistance from RIHousing to finance State housing programs and for the State’s general use. For instance, RIHousing has provided funds to the State to fund the Rhode Island Rental Assistance Program each year since the inception of such Program in 1989. See “**OTHER PROGRAMS OF RIHOUSING**” herein. Further, in fiscal year 1996 RIHousing transferred \$1,500,000 to the State, without consideration, for the State’s general use. In fiscal year 2008, RIHousing was required by the State’s budget bill to transfer \$26 million to the State for the State’s general use. During fiscal year 2018, RIHousing transferred \$1,000,000 to the State at its request, without consideration, for the State’s general use. From fiscal year 2012 through fiscal year 2018, pursuant to the State’s budget bills, RIHousing provided \$2,800,000 in support of the Neighborhood Opportunities Program, which had previously been funded by the State. All amounts transferred to the State were from RIHousing’s operating fund.

SOURCES AND USES OF FUNDS

The proceeds of the Series 69 Bonds will be used to refund certain outstanding Bonds and originate new Program Loans. Capital contributions from RIHousing or other moneys available under the Bond Resolution will be used to pay certain costs of issuing the Series 69 Bonds.

The following are the expected sources and uses of funds with respect to the issuance of the Series 69 Bonds:

Sources of Funds

Principal Amount of Series 69 Bonds	\$105,270,000.00
Original Issue Premium	1,916,796.30
RIHousing Contribution	<u>1,004,648.70</u>

Total Sources of Funds \$108,191,445.00

Uses of Funds

Deposit to Redemption Account	\$ 37,190,000.00
Deposit to Series 69 Loan Account	69,996,796.30
Underwriters' Fees	732,759.70
Other Costs of Issuance	<u>271,889.00</u>

Total Uses of Funds \$108,191,445.00

Proceeds of the Series 69-A Bonds, the Series 69-B Bonds and the Series 69-T Bonds deposited in the Redemption Account are expected to be applied to redeem the following series of Bonds (the "Refunded Bonds") on or about September 21, 2018:

Series	Principal Amount to be Redeemed
63-T	\$22,190,000
66-B	15,000,000

As a result of the refunding of the Refunded Bonds, the Reallocated Series 69 Program Loans in the aggregate principal amount of approximately \$28.3 million (as of March 31, 2018) will be allocated to the Series 69 Bonds. See "**REALLOCATED SERIES 69 PROGRAM LOANS.**" The maturities of the Series 69 Bonds have been established based in part on the consolidated scheduled payments of the Program Loans under the Bond Resolution.

DESCRIPTION OF THE SERIES 69 BONDS

General

The Series 69 Bonds will mature on the dates and bear interest at the rates set forth on the inside cover page hereof. Interest on the Series 69 Bonds will be payable on each April 1 and October 1, commencing April 1, 2019, and at maturity.

Redemption Provisions for Series 69 Bonds

The Series 69 Bonds are subject to redemption as described below.

Optional Redemption. The Series 69 Bonds maturing on or after October 1, 2028, except for the Series 69-B Bonds maturing October 1, 2048 (the “PAC Bonds”), are subject to redemption, at the option of RIHousing, as a whole or in part on any date on or after April 1, 2028, in such amounts and maturities as RIHousing shall determine, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus interest accrued to the date of redemption.

The PAC Bonds are subject to redemption, at the option of RIHousing, as a whole or in part on any date on or after April 1, 2028, in such amounts as RIHousing shall determine, at the applicable redemption price for the respective dates listed below, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
April 1, 2028	100.887%
October 1, 2028	100.656
April 1, 2029 and thereafter	100.000

If the PAC Bonds are redeemed on a date other than a redemption date listed above, the redemption price, as of such redemption date, will be determined by straight line interpolation between the redemption prices for the redemption dates listed above immediately preceding and succeeding such redemption date.

Sinking Fund Redemption. The Series 69-B Bonds maturing October 1, 2033, October 1, 2038, October 1, 2043 and October 1, 2048 are subject to redemption, in part, by lot, at a redemption price equal to the principal amount thereof and interest accrued thereon, from mandatory Sinking Fund Payments which are required to be made to redeem such Series 69-B Bonds on the respective dates and in the respective principal amounts shown below:

Series 69-B Term Bonds due October 1, 2033

<u>Date</u>	<u>Amount</u>
April 1, 2029	\$ 90,000
October 1, 2029	1,380,000
April 1, 2030	1,415,000
October 1, 2030	1,450,000
April 1, 2031	1,480,000
October 1, 2031	1,515,000
April 1, 2032	1,550,000
October 1, 2032	1,590,000
April 1, 2033	1,630,000
October 1, 2033 [†]	1,665,000

[†]Final Maturity.

Series 69-B Term Bonds due October 1, 2038

Date	Amount
April 1, 2034	\$1,700,000
October 1, 2034	1,740,000
April 1, 2035	1,770,000
October 1, 2035	1,810,000
April 1, 2036	1,845,000
October 1, 2036	1,805,000
April 1, 2037	1,800,000
October 1, 2037	1,830,000
April 1, 2038	1,860,000
October 1, 2038 [†]	1,830,000

[†]Final Maturity.

Series 69-B Term Bonds due October 1, 2043

Date	Amount
April 1, 2039	\$1,860,000
October 1, 2039	1,895,000
April 1, 2040	1,945,000
October 1, 2040	1,985,000
April 1, 2041	2,020,000
October 1, 2041	1,975,000
April 1, 2042	1,975,000
October 1, 2042	2,015,000
April 1, 2043	2,070,000
October 1, 2043 [†]	2,095,000

[†]Final Maturity.

Series 69-B Term Bonds due October 1, 2048 (PAC Bonds)

Date	Amount
April 1, 2044	\$3,020,000
October 1, 2044	3,040,000
April 1, 2045	3,105,000
October 1, 2045	3,185,000
April 1, 2046	3,185,000
October 1, 2046	3,125,000
April 1, 2047	3,115,000
October 1, 2047	3,190,000
April 1, 2048	3,250,000
October 1, 2048 [†]	3,275,000

[†]Final Maturity.

The amounts accumulated for each Sinking Fund Payment or which have been deposited in the Redemption Account may be applied by the Trustee, at the direction of RIHousing, prior to the forty-fifth day preceding the due date of the related Sinking Fund Payment, or prior to the call for such redemption, to the purchase of the Bonds to be redeemed from such Sinking Fund Payment, at prices (including any brokerage and other charges) not exceeding the applicable redemption price, plus accrued interest to the date of purchase.

Special Redemption. The Series 69 Bonds are also subject to redemption, at the option of RIHousing, as a whole or in part at any time, in an amount not exceeding:

(a) unexpended proceeds of the Series 69 Bonds remaining in the Loan Account. See “— **Certain Assumptions With Respect to the Series 69 Bonds**” herein.

(b) any Recoveries of Principal from Program Obligations financed with any Series of Bonds to the extent not otherwise pledged or dedicated to the redemption of a particular Series of Bonds or maturity thereof. See “— **Extraordinary Mandatory Redemption of PAC Bonds**.”

(c) amounts on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement and amounts in any Revenue Account in excess of the amount required to meet accrued Debt Service requirements on all Outstanding Bonds.

Series 69 Bonds redeemed with moneys described in paragraphs (a), (b) and (c), above shall be redeemed at a price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, provided, however, that the PAC Bonds redeemed with moneys described in paragraph (a) above shall be redeemed at a price equal to 100% of the principal amount thereof plus a premium that maintains the same yield as the original price thereof, plus accrued interest to the date of redemption.

In the event of any partial special redemption, RIHousing may direct the maturity or the maturities, and amounts of the Series 69 Bonds to be redeemed; provided, however, that, to the extent PAC Bonds are redeemed with moneys described in paragraphs (b) and (c) above, the PAC Bonds may not be so redeemed to the extent that such redemption will reduce the outstanding principal amount of the PAC Bonds to an amount less than the related Applicable Outstanding Amount shown under the headings “— **Extraordinary Mandatory Redemption of PAC Bonds**” unless such redemption is required to comply with the “10 Year Rule” as described below.

Moneys described in paragraphs (b) and (c) above may be used to redeem Bonds of other Series (or Subseries) issued under the Bond Resolution to the extent such moneys have not been dedicated to the redemption of Bonds of a particular Series and maturity and after applying any Recoveries of Principal allocable to the Series 69 Bonds in accordance with the provisions described below under the headings “— **Extraordinary Mandatory Redemption of PAC Bonds**.” Repayments and prepayments of Program Loans may also be used to fund new Program Loans. See “— **Other Provisions Concerning Redemption**” herein.

Proceeds of the voluntary sale of Program Obligations which are not in default are considered Recoveries of Principal and may under certain circumstances be used to redeem Bonds. However, Recoveries of Principal resulting from (i) the voluntary sale of Program Securities or (ii) the voluntary sale of Program Loans, unless such Program Loans are (a) in default, (b) not in compliance with RIHousing’s Program requirements or (c) sold in order to meet RIHousing’s tax covenants, may only be used to redeem Series 69 Bonds as described herein under “— **Optional Redemption**” above. Proceeds of the sale of defaulted Program Loans recovered in connection with the liquidation of such Program Loans are included within the definition of Recoveries of Principal and may be applied by RIHousing to the special redemption of Series 69 Bonds as described above.

Mandatory Redemption. Subject to a de minimis exception and to the extent then required by the Internal Revenue Code of 1986, as amended (the “Code”), the following applicable percentage of repayments and prepayments of principal of New Series 69 Program Loans and Reallocated Series 69 Program Loans allocable to the Series 69 Tax-Exempt Bonds received more than 10 years after the date of original issuance of such Bonds (or the date of original issuance of bonds refunded by such Bonds, directly or through a series of refundings) will be used by RIHousing not later than the close of the first semi-annual period beginning after the date of receipt of any such repayment or prepayment to redeem the Series 69 Tax-Exempt Bonds at a

redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date. Such restriction is referred to herein as the “10 Year Rule.”

<u>From Date</u>	<u>To Date</u>	<u>10-Year Percentage</u>
09/19/2018	08/19/2025	14.0%
08/20/2025	09/18/2028	29.2%
09/19/2028	Final Maturity of Bonds	100.0%

See “**APPENDIX G — TEN YEAR RULE PERCENTAGES**” for a table setting forth, as of each December 31, the percentage of repayments and prepayments that are subject to this restriction for Mortgage Loans attributable to each series of the Bonds.

In the event of any partial special redemption related to the “10 Year Rule” described above, then such redemptions shall be applied by RIHousing, first, to the redemption of the PAC Bonds in the amounts required to be applied to the redemption of such PAC Bonds as described below under “— *Extraordinary Mandatory Redemption of PAC Bonds*,” second, to redeem the Series 69 Tax-Exempt Bonds other than the PAC Bonds, and third, to redeem the PAC Bonds.

Extraordinary Mandatory Redemption of PAC Bonds. The PAC Bonds are subject to mandatory redemption from Series 69 Directed Loan Principal Receipts (as hereinafter defined) on one or more days during each semi-annual period ending on an April 1 or October 1, commencing with the period ending April 1, 2019, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date to the extent that, after giving effect to such redemption, the aggregate principal amount of PAC Bonds outstanding on such redemption date is not less than the related Applicable Outstanding Amount of such PAC Bonds as set forth below (the “Applicable Outstanding Amount”). In the event the Series 69 Directed Loan Principal Receipts are insufficient in any semiannual period to call the PAC Bonds in the amount described above, the PAC Bonds would continue to be callable in future semiannual periods from Series 69 Directed Loan Principal Receipts received in such future semiannual period as described above. In the event that there are excess Series 69 Directed Loan Principal Receipts with respect to any semiannual periods, such excess may be applied for any purpose authorized under the Resolution, including without limitation, to the redemption of other Series 69 Bonds as described under the heading “— *Special Redemption*” above.

As used in this Official Statement, the term “Series 69 Directed Loan Principal Receipts” means, with respect to any redemption date, all principal repayments and Recoveries of Principal on New Series 69 Program Loans and Reallocated Series 69 Program Loans received and not otherwise required to pay debt service on Bonds or replenish the Debt Service Reserve Account, less the sum of the principal amount of Series 69 Bonds scheduled to mature or subject to sinking fund redemption on such redemption date (or, if no Series 69 Bonds are scheduled to mature or subject to sinking fund redemption on such redemption date, a pro rata portion of the next subsequent scheduled maturity amount or Sinking Fund Payment amount of such Series 69 Bonds). See “**DESCRIPTION OF THE SERIES 69 BONDS—Projected Weighted Average Lives of the PAC Bonds**” herein for certain information related to projected weighted average lives relating to the PAC Bonds, including a brief summary description of the computations of such projected lives and certain assumptions utilized in the preparation of the computations and a discussion of the hypothetical nature of such computations.

The Applicable Outstanding Amounts are derived from assumptions that include, among other assumptions, the receipt of principal repayments and the Recoveries of Principal on New Series 69 Program Loans and Reallocated Series 69 Program Loans at 100% of the Securities Industry and Financial Markets Association, formerly known as the Public Securities Association, prepayment standard or model (commonly referred to as the “PSA Prepayment Model”). The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then-unpaid principal balance of the Mortgage Loans. The PSA Prepayment Model has an increasingly large percentage of the mortgages prepaying each month for the first thirty (30)

months of the mortgages' life and then assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgages.

Applicable Outstanding Amounts

Semiannual Period Ending	Outstanding Amount
April 1, 2019	\$31,045,000
October 1, 2019	29,840,000
April 1, 2020	28,305,000
October 1, 2020	26,440,000
April 1, 2021	24,280,000
October 1, 2021	21,895,000
April 1, 2022	19,585,000
October 1, 2022	17,410,000
April 1, 2023	15,365,000
October 1, 2023	13,435,000
April 1, 2024	11,625,000
October 1, 2024	9,940,000
April 1, 2025	8,370,000
October 1, 2025	6,910,000
April 1, 2026	5,565,000
October 1, 2026	4,330,000
April 1, 2027	3,205,000
October 1, 2027	2,180,000
April 1, 2028	1,260,000
October 1, 2028	450,000
April 1, 2029 and thereafter	0

In the event that any PAC Bonds are redeemed from unexpended proceeds of the Series 69 Bonds remaining in the Loan Account, the Applicable Outstanding Amounts for each semiannual period will be reduced on a proportionate basis. Other than from unexpended proceeds of the Series 69 Bonds, RIHousing may redeem the PAC Bonds from sources other than Series 69 Directed Loan Principal Receipts solely to the extent that such redemption will not reduce the outstanding principal amount of the PAC Bonds to an amount less than the Applicable Outstanding Amounts shown in the table above, as adjusted (if applicable) per the immediately preceding sentence.

Projected Weighted Average Lives of the PAC Bonds

The “projected weighted average life” of a security refers to the average amount of time that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity dated, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security.

The calculation of the projected weighted average lives of the PAC Bonds requires the making of certain assumptions (collectively, the “Portfolio Assumptions”) with respect, but not limited, to the future financing and prepayment of Program Loans as well as certain assumptions (collectively, the “Corporation Option Assumptions”), with respect, but not limited, to the future use by RIHousing of its options under the Resolution related to: (a) the scheduled principal repayments and Recoveries of Principal on the New Series 69 Program Loans and the Reallocated Series 69 Program Loans related to the Series 69 Bonds to: (i) the

redemption of Series 69 Bonds, (ii) the financing of additional Program Loans, or (iii) the redemption of other Bonds; (b) the application of Recoveries of Principal and excess revenues related to other Series to the redemption of Series 69 Bonds; and (c) the optional redemption of all or a portion of the Series 69 Bonds on or after April 1, 2028 from any source.

Set forth in the table captioned “Projected Average Lives (in years)” below (the “Table”) are projected weighted average lives for the PAC Bonds under a number of different scenarios, each such scenario representing a unique combination of assumptions, as described below. Both the Portfolio Assumptions and the Corporation Option Assumptions are hypothetical in nature and are provided only to give a general sense of how the weighted average lives for each of the PAC Bonds might behave as such assumptions are varied. The actual characteristics and the performance of the Program Loans (including, without limitation, prepayments thereof) will differ from the Portfolio Assumptions utilized in constructing the Table, and the actual use of options under the Resolution by RIHousing will differ from the Corporation Option Assumptions utilized in constructing the Table.

Any difference between such Portfolio Assumptions and the actual characteristics and performance of the Program Loans or between the Corporation Option Assumptions and the actual use of such options will cause the actual weighted average lives of the PAC Bonds to differ (which difference could be significant) from the projected weighted average lives in the Table. Accordingly, RIHousing makes no representation as to the reasonableness of any of such assumptions and makes no representation that the projected average lives set forth in the Table will reflect the actual course of events. The Corporation Option Assumptions are not necessarily consistent with the current or historical approach of RIHousing to recycling and selecting Bonds to be redeemed, and they are not binding upon or necessarily indicative of future actions of RIHousing with respect to the redemption of the Bonds.

All of the scenarios represented in the Table with respect to the PAC Bonds are based on the assumptions that the New Series 69 Program Loans will consist of approximately \$68.1 million of Program Loans financed by the Series 69-B Bonds with a weighted average interest rate to the borrower of approximately 4.875% and a weighted average maturity of approximately 360 months. Additionally, the Reallocated Series 69 Program Loans, as of March 31, 2018, will consist of approximately \$28.3 million of Program Loans originally financed by the Refunded Bonds with a weighted average interest rate to the borrower of approximately 4.94% and a weighted average maturity of approximately 298 months. See **“REALLOCATED SERIES 69 PROGRAM LOANS”** herein.

Each of the scenarios represented in the Table is based on an indicated prepayment assumption, in each case expressed as a percentage of the PSA Prepayment Model. As used in the Table, for example, (a) “0%” assumes no prepayments of the principal of the applicable Program Loans, (b) “50%” assumes the principal of the applicable Program Loans will prepay at a rate one-half times as fast as the prepayment rates for one hundred percent (100%) of the PSA Prepayment Model, (c) “200%” assumes the principal of the applicable Program Loans will prepay at a rate twice as fast as the prepayment rates for one hundred percent (100%) of the PSA Prepayment Model, and so on.

The computation of the weighted average life of the PAC Bonds under each of the scenarios represented in the Table is based on the assumption that, with respect to the fulfillment by RIHousing of its obligations pursuant to the redemption provisions described under “— *Extraordinary Mandatory Redemption of PAC Bonds*,” RIHousing will redeem the PAC Bonds on each Interest Payment Date commencing on April 1, 2019. In addition, the Table is based on the assumption that RIHousing will not redeem the Series 69 Bonds from any other source.

The computation of the weighted average life of the PAC Bonds under each of the scenarios represented in the Table is based on one of two sets of indicated assumptions about the exercise of the Optional Redemption provisions under the Resolution:

(a) In the case of scenarios labeled “Optional Call Exercised,” it is assumed that RIHousing will exercise its right to optionally redeem all Outstanding Series 69 Bonds on April 1, 2028.

(b) In the case of scenarios labeled “Optional Call Not Exercised,” it is assumed that RIHousing will not exercise its right to optionally redeem the Series 69 Bonds.

Investors owning less than all of the PAC Bonds, as applicable, may experience redemption at a rate that varies from the projected weighted average lives shown in the Table.

% PSA	Optional Call not Exercised	Optional Call Exercised[†]
0	27.8	9.5
25	20.4	8.3
50	14.0	7.1
75	8.3	6.0
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	5.7	5.0

[†] Assumes 4/1/2028 Optional Call date

See the information set forth in “**APPENDIX I — PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING AND PROJECTED WEIGHTED AVERAGE LIVES OF THE PAC BONDS**” attached hereto.

Cross Calling; Recycling

To the extent not required to pay debt service on the Bonds or otherwise directed to the redemption of a particular series or maturity of Bonds, RIHousing may use repayments and prepayments of principal to originate new Program Loans or to redeem Bonds. RIHousing’s decision to recycle such repayments or prepayments or to redeem Bonds will depend on, among other things, the level of interest rates applicable to RIHousing’s Bonds and the Mortgage Loans that could be originated.

As provided for in the Resolution and as specified in each series resolution, subject to certain restrictions all of RIHousing’s outstanding Bonds are subject to redemption from repayments of principal and Recoveries of Principal allocable to any other series of Bonds. The use of repayments of principal and Recoveries of Principal allocable to one series of bonds to call bonds of another series is commonly referred to as “cross-calling” bonds. In circumstances where RIHousing has applied repayments to call bonds, RIHousing has often chosen to apply a portion of the Recoveries of Principal, excess Revenues and any other amounts available for the special redemption of Bonds to redemption of a Series of Bonds other than the series for which such Recoveries of Principal and Revenues are allocable. In such circumstances, RIHousing has generally chosen to redeem higher interest rate Bonds prior to lower interest rate Bonds. However, there can be no assurance that RIHousing will continue to do so or that in any particular case RIHousing will not choose or be required to redeem Bonds on some other basis. Various refinancing strategies, federal tax law and other considerations may lead RIHousing to redeem lower interest rate Bonds prior to redeeming higher interest rate Bonds outstanding under the Resolution.

A substantial portion of repayments of Mortgage Loans financed with federally tax-exempt Bonds (including the Series 69 Tax-Exempt Bonds) are required to be applied to the Series of Bonds which financed or refinanced such Mortgage Loans. Subject to a *de minimis* exception and to the extent then required by the

Code, repayments and prepayments of principal of Mortgage Loans attributable to proceeds of most of RIHousing's federally tax-exempt Bonds, received more than 10 years after the original date of issuance of such federally tax-exempt Bonds (or the date of original issuance of the bonds refunded by such federally tax-exempt Bonds, directly or through a series of refundings) are required to be used by RIHousing not later than the close of the first semi-annual period beginning after the date of receipt of any such repayment or prepayment to redeem the related federally tax-exempt Bonds. Such restriction is referred to herein as the "10 Year Rule." See "**APPENDIX G — TEN YEAR RULE PERCENTAGES**" for a table setting forth, as of each December 31, the percentage of repayments and prepayments that are subject to this restriction for Mortgage Loans attributable to each Series of federally tax-exempt Bonds.

Other Provisions Concerning Redemption

Notice of redemption is to be given not less than 30 nor more than 60 days prior to the redemption date with respect to the Series 69 Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP numbers of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of fully registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall also mail a copy of such notice, first class postage prepaid, not later than the last day upon which the redemption notice is to be published, as described above, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but mailing to all holders of Bonds to be redeemed shall not be a condition precedent to such redemption, and failure to mail any such notice to the holder of any particular Bond shall not affect the validity of the proceedings for the redemption of other Bonds. Notices to Bondholders of at least \$1,000,000 of Bonds and national information services shall also be sent by certified mail, return receipt requested. Bondholders of at least \$1,000,000 of Bonds may request that notices also be sent to an additional address. A copy of any notice sent as described above shall be sent by the Trustee to at least two of the national information services that disseminate redemption notices or redemption notice information (so long as two such services exist).

If less than all the Bonds of like subseries and maturity are to be redeemed, the particular Bonds or the respective portions thereof to be redeemed will be selected by lot by the Trustee in such manner as the Trustee in its discretion deems fair and appropriate.

The portion of any Bond of a denomination of larger than the minimum denomination of \$5,000 principal amount may be redeemed in the principal amount of such minimum denomination or a multiple thereof, and for purposes of selection and redemption, any such Bond of a denomination larger than the minimum denomination shall be considered to be that number of separate Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond by such minimum denomination. If there shall be selected for redemption less than all of a Bond, RIHousing shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like subseries, maturity and interest rate in any of the authorized denominations.

If, on the redemption date, moneys for the redemption of Bonds or portions thereof, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable.

Any notice of redemption may be conditioned upon the occurrence of certain events on or prior to the redemption date, and, in each such case, such redemption notice shall clearly state that such call for redemption is conditional.

Certain Assumptions with respect to the Series 69 Bonds

The maturities of the Series 69 Bonds have been established in part on the basis of the consolidated scheduled payments of the Program Loans under the Bond Resolution. The interest rates on the Program Loans acquired with moneys made available upon the issuance of Bonds are established, from time to time, so that payments of principal of and interest on the Program Loans outstanding under the Bond Resolution, and moneys on deposit in the various funds and accounts under the Bond Resolution (as well as income derived from investment thereof) are expected to generate sufficient revenues to pay on a timely basis the principal of and interest on all Bonds Outstanding under the Bond Resolution and certain other amounts required to be paid under the Bond Resolution.

From time to time when projecting available Revenues for various purposes, RIHousing makes assumptions regarding the range of variation in the generation of Revenues in order to determine the effect of such variation on the sufficiency of Revenues to pay debt service on the Bonds Outstanding under the Bond Resolution. Such projections may be made for a variety of purposes under the Bond Resolution as well as for RIHousing's planning purposes, including, but not limited to, in connection with the issuance of Bonds, the establishment of interest rates on Program Loans, the implementation of interest rate adjustment programs for existing Program Loans, the sale of Program Loans, the withdrawal from the Revenue Account of funds determined to be excess, and decisions by RIHousing whether, and when, to call particular Bonds with Program Loan prepayments or to purchase additional Program Loans with such prepayments.

RIHousing believes that the assumptions it uses and its procedures for reviewing such assumptions are reasonable, but cannot guarantee that actual results will not vary materially from those projected. In connection with the issuance of the Series 69 Bonds, RIHousing will cause cash flow analyses to be performed reflecting various prepayment speeds for such Program Loans. To the extent that (i) the interest rates, servicing expense, insurance premiums or other repayment terms on the Program Loans are different than assumed, (ii) Program Loans purchased by RIHousing are not paid on a timely basis in accordance with their terms, (iii) the rate of receipt of prepayments is either more rapid or less rapid than that projected, or (iv) actual investment income differs from that estimated by RIHousing, the moneys available under the Bond Resolution may be insufficient for the payment of debt service on the Bonds and operating expenses of the Program.

In the event that a mortgagor defaults on the payments on a Program Loan and foreclosure proceedings are instituted, there will be certain required time delays which, should they occur with respect to a sufficient number of Program Loans, could disrupt the flow of Revenues available for the payment of principal of and interest on the Bonds. These time delays derive from the procedures applicable to the collection of mortgage insurance or guarantees as well as those required under Rhode Island law for the enforcement of rights of mortgagees. Those procedures and their effect on RIHousing's ability to collect on defaulted Program Loans are described in **APPENDIX A**. RIHousing makes no representation regarding the financial condition of any private mortgage insurance company or its ability to make full and timely payment of claims on the Program Loans on which RIHousing may experience losses. RIHousing may suffer losses on defaults of Program Loans under the mortgage insurance and guaranty programs described in **APPENDIX A**.

Amounts received as a result of prepayment or termination of Program Loans constitute returns of principal which may be applied to the redemption of the Series 69 Bonds or any other series of Bonds under the Bond Resolution. See "**DESCRIPTION OF THE SERIES 69 BONDS — Redemption Provisions — Special Redemption**" and "**— Extraordinary Mandatory Redemption of PAC Bonds.**" Under the Bond Resolution and except as otherwise described herein, such amounts may be used to purchase new Program Loans, purchase or redeem Series 69 Bonds or other Bonds, or pay principal due on certain Bonds. See "**DESCRIPTION OF THE SERIES 69 BONDS — Cross Calling; Recycling**" herein. Pending such use,

such amounts may be invested in Investment Securities. For a discussion of the current characteristics of the Mortgage Loan Portfolio, see “**MORTGAGE LOAN PORTFOLIO**” herein.

BOOK-ENTRY ONLY SYSTEM

Description of DTC and Book-Entry Only System

The information under this heading has been furnished by The Depository Trust Company (“DTC”), New York, New York. Neither RIHousing nor the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 69 Bonds. The Series 69 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 69 Bond certificate will be issued for each maturity of a Series of the Series 69 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P 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.

Purchases of the Series 69 Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Series 69 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 69 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 69 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 the Series 69 Bonds, except in the event that use of the book-entry system for the Series 69 Bonds is discontinued.

To facilitate subsequent transfers, all Series 69 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 the Series 69 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 69 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 69 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.

Redemption notices shall be sent to DTC. If less than all of the Series 69 Bonds of a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 69 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to RIHousing 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 69 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 69 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 RIHousing 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 Trustee, or RIHousing subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of RIHousing or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 69 Bonds at any time by giving reasonable notice to RIHousing or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 69 Bond certificates are required to be printed and delivered.

RIHousing may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 69 Bond certificates will be printed and delivered to DTC.

SECURITY FOR THE SERIES 69 BONDS

Pledge of the Bond Resolution

The Series 69 Bonds are special revenue obligations of RIHousing secured on a parity with all Bonds issued or to be issued under the Bond Resolution by a pledge of (a) all proceeds of Bonds deposited to the Loan Account and all investments thereof; (b) all Revenues derived by RIHousing from Program Obligations financed by RIHousing from the proceeds of Bonds including, but not limited to, scheduled payments of interest and principal on Program Obligations (but not including Escrow Payments, service charges, commitment fees or financing fees), and all Accounts established under the Resolution (except the Rebate

Account), including investments thereof and the proceeds of such investments, in accordance with the terms and provisions of the Resolution; and (c) all Program Obligations financed by RIHousing from the proceeds of Bonds.

Excess earnings received from investments of proceeds of federally tax-exempt Bonds (other than proceeds used to finance Program Obligations) above the yield on such Bonds, with certain adjustments, will be rebated to the United States Government. The Bond Resolution requires such excess earnings to be deposited in the Rebate Account to be used for such purpose. The Rebate Account is not pledged to payment of the Bonds. See “**APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.**”

RIHousing is permitted to direct the transfer of amounts from the Revenue Account after the close of each such Fiscal Year to the Loan Account, Debt Service Reserve Account or Redemption Account or, if the assets to liabilities under the Bond Resolution is greater than 101%, then to RIHousing free and clear of the lien of the Bond Resolution to be applied to any lawful purpose.

The pledges made in the Bond Resolution for the security of the Bonds may be released upon provision for payment of the Bonds, as further described in “**APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Defeasance.**”

Debt Service Reserve Account

The Bond Resolution provides that as of any particular date of calculation there shall be on deposit in the Debt Service Reserve Account an amount equal to the greater of (a) the aggregate of all amounts required to be deposited and maintained on deposit in such Account by each Supplemental Resolution authorizing a Series of Bonds, or (b) an amount equal to three percent (3%) of the sum of (i) the outstanding principal balance of all Program Loans (but not Program Securities) plus (ii) the amount on deposit to the credit of the Loan Account which is to be used to finance Program Loans and which has not been designated to provide for Costs of Issuance or capitalized interest (the “Debt Service Reserve Account Requirement”). As of March 31, 2018, the Debt Service Reserve Requirement was \$18,376,610. On the date of issuance of the Series 69 Bonds the Debt Service Reserve Account will be fully funded in an amount equal to or greater than the Debt Service Reserve Account Requirement.

If RIHousing fails to make available to the Trustee sufficient funds to meet a required payment of principal or Redemption Price of, or interest on, Bonds when due, the Bond Resolution requires the Trustee, to the extent that amounts on deposit in all other Accounts (except the Rebate Account) are insufficient to make such payment, to apply moneys from the Debt Service Reserve Account to the extent necessary to make the required payments to Bondholders.

If necessary to restore the amount on deposit in the Debt Service Reserve Account to the Debt Service Reserve Account Requirement, the Trustee is required to withdraw moneys annually (to the extent moneys are available) from the Revenue Account for deposit to the credit of the Debt Service Reserve Account. There is no provision that withdrawals from the Debt Service Reserve Account be restored by RIHousing from its assets not pledged under the Bond Resolution or be replenished by the State. Moneys on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement shall be transferred by the Trustee, at the direction of an Authorized Officer of RIHousing, to the Loan Account, the Revenue Account, or the Redemption Account.

Pursuant to the Bond Resolution, RIHousing may elect, in a Supplemental Resolution authorizing the issuance of Additional Bonds, to fund the Debt Service Reserve Account Requirement with Cash Equivalents.

Additional Bonds

Additional Series of Bonds may be issued as provided in the Bond Resolution on a parity with the Bonds, entitled to the equal benefit, protection and security of the pledge, provisions, covenants and agreements of the Bond Resolution, but no series of Bonds may be issued if the principal amount of all Bonds issued or to be issued will exceed any limitation imposed by law nor if, upon the issuance of such Bonds, the amount credited to the Debt Service Reserve Account will be less than the Debt Service Reserve Account Requirement, respectively. In addition, RIHousing may issue any obligations which are payable from or secured by a lien on the Revenues and other property pledged under the Bond Resolution so long as such lien and pledge shall be in all respects subordinate to the lien and pledge created by the Bond Resolution. See “**APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Provisions for Issuance of Bonds.**”

REALLOCATED SERIES 69 PROGRAM LOANS

The Reallocated Series 69 Program Loans were originally financed by the Refunded Bonds and will be reallocated to the Series 69 Bonds upon the redemption of the Refunded Bonds. The anticipated Reallocated Series 69 Program Loans are described below.

Reallocated Series 69 Program Loans as of March 31, 2018

Permanent Interest Rate	Par ¹	Weighted Average Coupon	Weighted Average Remaining Term (months)	1 Year PSA ²	Lifetime PSA ²
0.000 - 3.500%	\$ 2,202,638	3.46%	323	19	33
3.501 - 4.000	3,614,687	3.78	318	93	40
4.001 - 4.500	3,188,663	4.31	288	142	46
4.501 - 5.000	5,177,811	4.96	308	246	76
5.001 - 5.500	6,184,094	5.35	274	223	124
5.501 - 6.000	7,499,908	5.77	296	214	185
6.001 - 6.500	444,181	6.15	349	123	225
Total	\$28,311,983	4.94%	298	182	106

Notes:

- 1 Does not include approximately \$335,000 of Reallocated Series 69 Program Loans that are Forgivable Loans as such term is defined under the heading “MORTGAGE LOAN PORTFOLIO — Loan Modifications” or real estate owned.
- 2 1 Year and Lifetime PSA speeds are based on Mortgage Loans held under the Bond Resolution of comparable coupon and year of origination. Such historical speeds are not necessarily indicative of future prepayment speeds of the Reallocated Series 69 Program Loans.

In the case of the Reallocated Series 69 Program Loans and many Mortgage Loans financed with other Bond issues, certain Mortgage Loans were made in amounts not exceeding 100% of the Fair Market Value, provided that there was issued a Private Mortgage Insurance Policy by a Program Insurer or RIHousing, under which the insurer, upon foreclosure and conveyance of marketable title to the mortgaged property, is obligated to pay a claim including unpaid principal, accrued interest and certain expenses of foreclosure, or in lieu thereof may permit the mortgagee or its assignee to retain title and may pay an agreed percentage of the claim. See “**MORTGAGE LOAN PORTFOLIO — Mortgage Insurance.**” See APPENDIX A for a brief description of private and federal insurance programs for Mortgage Loan insurance.

PROGRAM LOAN ORIGINATIONS GENERALLY

Under RIHousing's Mortgage Purchase Agreements with its participating Mortgage Lenders, the Mortgage Lenders agree to originate and sell qualified Mortgage Loans which meet the criteria set forth in the Program Guide, the Program Bulletins and rules and regulations promulgated by RIHousing applicable to mortgage finance programs.

For the past several years RIHousing has funded Mortgage Loans through the sale of mortgage-backed securities. Going forward, RIHousing expects a substantial portion of Program Loans will be funded with proceeds from the sale of bonds. Such bonds will include the portion of the Series 69-B Bonds whose proceeds will be applied to fund New Series 69 Program Loans. RIHousing expects that approximately \$64.7 million of New Series 69 Program Loans will be pooled into Program Securities issued by the Government National Mortgage Association. See "**APPENDIX A — DESCRIPTION OF CERTAIN PRIMARY MORTGAGE INSURANCE, FEDERAL HOUSING PROGRAMS, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) AND THE GNMA SECURITIES, AND RHODE ISLAND MORTGAGE FORECLOSURE PROCEDURES — Government National Mortgage Association (GNMA) and the GNMA Securities.**" None of the proceeds of the Series 69-A Bonds and Series 69-T Bonds will be applied to fund new Mortgage Loans.

RIHousing establishes the interest rates at which funds will be committed on an ongoing basis as RIHousing deems necessary and appropriate. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and RIHousing's cost of funds. RIHousing may change such terms as it deems necessary. For example, although Mortgage Loans generally have a fixed interest rate to maturity RIHousing has allowed certain borrowers to reduce the interest rate as an inducement to avoid a prepayment of their Program Loans.

RIHousing has previously established stepped interest rate programs with respect to Mortgage Loans made to Very Low and Low Income Mortgagors and Targeted Very Low and Targeted Low Income Mortgagors. Under such stepped interest rate programs, the initial interest rate on a Mortgage Loan was less than the interest rate established for other Mortgage Loans with respect to the applicable Series. The interest rate increases in one or more "steps" during the first two to eight years subsequent to origination of such Mortgage Loan until the interest rate on such Mortgage Loan is consistent with the interest rate on the other Mortgage Loans originated with respect to the related Series. RIHousing is no longer offering stepped interest loans.

From time to time RIHousing has acquired 0% Mortgage Loans from local Habitat for Humanity affiliates. Such Mortgage Loans were generally purchased at a discount to the principal amount payable at maturity. RIHousing is no longer acquiring 0% Mortgage Loans from Habitat for Humanity affiliates.

In 2003, RIHousing established a program (the "Buy More Mortgage Program") permitting borrowers to obtain thirty-five year and forty year Mortgage Loans under which they pay interest only for the first five years. Under the Buy More Mortgage Program, principal is amortized on a fixed rate level debt basis over the final thirty or thirty-five years of the Mortgage Loan. The fixed rate on the Mortgage Loan was established when the Mortgage Loan was originated and applies during the entire term of the Mortgage Loan. RIHousing ended the Buy More Mortgage Program in April 2008, and all outstanding Buy More Mortgage Loans are now fully-amortizing loans over their final thirty or thirty-five year original amortization period.

RIHousing offers Mortgage Loans through participating Mortgage Lenders, as well as through its own mortgage origination unit. Borrowers receiving Mortgage Loans originated by RIHousing are currently offered standard rate choices. RIHousing compensates participating Mortgage Lenders by paying a service released premium based on the rate charged on each loan delivered to RIHousing. Each Mortgage Lender is also permitted to charge the borrower other reasonable and customary appraisal, credit and closing cost fees,

but will not be allowed any other fees or remuneration in making new Program Loans unless specifically authorized by RIHousing.

Home Repair Loans. Home Repair Loans are made to eligible borrowers for the repair or improvement of residential housing with the objective of making such houses decent, safe and sanitary. Such Home Repair Loans are secured by first, second or third mortgage loans on the subject property which must be the borrower's principal residence.

Homeowners with incomes of up to \$107,667 are eligible for Home Repair Loans. The maximum amount of a Home Repair Loan is \$25,000 per residence or such greater amount as may be permitted by law. The interest rates on Home Repair Loans are established by RIHousing from time to time. The loan term of Home Repair Loans is from a minimum of one year to a maximum of 20 years.

Extra Assistance Loans; Home Equity Loans. RIHousing has established programs to assist Targeted Low Income Mortgagors, Very Low Income Mortgagors and Low Income Mortgagors in obtaining First Mortgage Loans, including, without limitation, second- or third-lien mortgage loans to provide downpayment and/or closing cost assistance ("Extra Assistance Loans"), and home equity loans ("Home Equity Loans"). Such Extra Assistance Loans and Home Equity Loans are made in accordance with the guidelines of RIHousing.

Extra Assistance Loans for downpayment and/or closing cost assistance are made with moneys made available from the issuance of Bonds under the Resolution or from available funds of RIHousing. RIHousing offers an amortizing loan of up to 6% of the purchase price, not to exceed \$12,000. This loan is priced at the first mortgage note rate with a term of 15 years. RIHousing's Extra Assistance Loans were previously known as "Affordability Loans." RIHousing expects that approximately \$3.4 million of New Series 69 Program Loans will be Extra Assistance Loans.

Home Equity Loans are home equity loans made available by RIHousing to homeowners with existing First Mortgage Loans. Such home equity loans are secured by first, second or third mortgages. RIHousing's home equity loans were previously known as "EquiSense Loans." Substantially all of such loans are made to homeowners who have previously received mortgage loans financed under RIHousing's single-family mortgage programs.

Mortgage Lenders. Generally, RIHousing makes funds available for the purchase of Mortgage Loans through the issuance of its Bonds and commitments of funds to Mortgage Lenders and Mortgage Brokers or by the setting aside of specific pools of funds to be reserved for qualified borrowers or for loans in specially-designated areas in the State. In 1998, RIHousing initiated a program under which it directly originates a portion of its Mortgage Loan portfolio. As of March 31, 2018, approximately 72% of the outstanding Program Loans in the Resolution have been originated by RIHousing.

Each Mortgage Lender must make loans for single family dwellings in the regular, usual and normal course of business and must be a Fannie Mae ("Fannie Mae") approved seller/servicer, or otherwise approved by RIHousing as having the capability and experience necessary to originate loans responsibly under the Program. RIHousing is a qualified Fannie Mae approved seller/servicer. RIHousing is also a Federal Housing Administration ("FHA") approved delegated underwriter and a Ginnie Mae MBS Issuer.

The Mortgage Lenders currently participating in the Program are set forth in **APPENDIX B** hereto.

Mortgage Purchase Agreements. Each Mortgage Lender must enter into a Mortgage Purchase Agreement with RIHousing, pursuant to which the Mortgage Lender will agree to deliver to RIHousing Program Loans meeting the requirements of the Program Bulletins and the Rules.

Servicing; Servicing Agreements. RIHousing currently is servicing approximately 99% of the Mortgage Loans outstanding under the Resolution. The remaining 1% of the Mortgage Loans are serviced by another Mortgage Lender. RIHousing expects to provide servicing for all New Series 69 Mortgage Loans; however, RIHousing also may enter into Servicing Agreements with its Mortgage Lenders and servicers who have not originated Mortgage Loans, but would otherwise qualify as Mortgage Lenders under the Program. The current servicer participating in the Program is noted in **APPENDIX B** hereto. Generally each Mortgage Lender which services Mortgage Loans must enter into a Servicing Agreement in which it shall undertake to service the Mortgage Loans being sold to RIHousing for a fee payable out of amounts paid as interest on the Mortgage Loans as and when paid by the borrower of the Program Loan (the “Mortgagor”). Mortgage Lenders are required to remit interest payments on the aggregate outstanding principal balance of Mortgage Loans which they service through foreclosure, notwithstanding any default in such payments by Mortgagors. The services to be provided by the Mortgage Lender, as servicer, include delivery of monthly statements to RIHousing concerning collection of Mortgage Loan payments, payment of taxes, insurance premiums and other escrow items, and reporting to RIHousing of any default, damage or other condition affecting the mortgaged premises. The obligations of the Mortgage Lenders under the Servicing Agreements are guaranteed pursuant to a surety bond.

MORTGAGE LOAN PORTFOLIO

As of March 31, 2018, the aggregate principal balance of Mortgage Loans outstanding under the Program was approximately \$605,598,918. The following charts describe the portfolio of Mortgage Loans under the Program as of March 31, 2018 (exclusive of Extra Assistance Loans in the principal amount of \$19,601,660, Forgivable Loans (as hereinafter defined) in the principal amount of \$1,748,018 and miscellaneous loans in the principal amount of \$273,444). Totals may not add due to rounding.

		Outstanding Balance on March 31, 2018				
Permanent Interest Rate		Less than 30 Year Original Maturity	30 Year Original Maturity	Greater than 30 Year Original Maturity	Total	
0.000	-	3.500	\$1,152,724	\$ 55,921,703	\$ 5,208,533	\$ 62,282,960
3.501	-	4.000	255,180	69,167,051	18,549,202	87,971,433
4.001	-	4.500	310,351	30,881,315	40,204,986	71,396,652
4.501	-	5.000	319,217	39,588,411	66,451,526	106,359,155
5.001	-	5.500	691,242	65,283,995	63,839,155	129,814,891
5.501	-	6.000	1,628,751	43,112,523	52,937,739	97,679,013
6.001	-	6.500	123,266	12,449,074	8,693,908	21,266,248
6.501	-	7.000	138,207	3,501,106	-	3,639,313
7.001	-	12.500	131,617	3,434,514	-	3,566,131
		Total	\$4,751,054	\$323,339,692	\$255,885,050	\$583,975,797
		Current WAC	4.80%			
		Permanent WAC	4.82%			
		Weighted Average Remaining Term	23.3 years			

Notes:

- 1 “Less than 30 Years Original Maturity” includes certain Deferred Payment Loans, Home Equity Loans, Habitat Loans, Home Repair Loans, and Cash Assistance Loans.
- 2 “Current WAC” is the average coupon for the portfolio using the current interest rate for each individual loan, weighted by the outstanding balance of the loan.
- 3 “Permanent WAC” is the average coupon for the portfolio using the final interest rate for each Step Rate loan and Deferred Payment Loan and the current interest rate for all other loans, weighted by the outstanding balance of the loan.
- 4 “Weighted Average Remaining Term” is the average time remaining from the date of the table to the stated maturity date of the loan, weighted by the outstanding balance of the loan.

March 31, 2018

Loan Type	Outstanding Balance	Percentage
Fixed Rate	\$416,495,022	71.3%
Step Rate	2,089,300	0.4%
5 + 30 Year Buy More	110,438,992	18.9%
5 + 35 Year Buy More	47,008,128	8.0%
Deferred Payment Loans	3,953,797	0.7%
Home Equity Loans	1,875,181	0.3%
Habitat Loans	1,168,497	0.2%
Home Repair Loans	946,881	0.2%
Total	\$583,975,797	100.0%

Notes:

- 1 "Fixed Rate" refers to loans with interest rates that are fixed for the remaining term of the loan and includes loans that were previously Step Rate loans but have reached their final Step Rate. Does not include other loans categorized below.
- 2 "Step Rate" refers to loans with interest rates that will increase in one or more "steps" during the first two to eight years of the loan and have not yet reached their final Step Rate.
- 3 "5 + 30 Year Buy More" refers to loans with interest only payments due for the first 5 years followed by level principal and interest payments for the succeeding 30 years. The combined original term for these loans is 35 years. All of the loans in this category commenced amortizing prior to March 31, 2018.
- 4 "5 + 35 Year Buy More" refers to loans with interest only payments due for the first 5 years followed by level principal and interest payments for the succeeding 35 years. The combined original term for these loans is 40 years. All of the loans in this category commenced amortizing prior to March 31, 2018.
- 5 "Deferred Payment Loans" refers to loans with no interest or principal payments due for the first 4 years followed by level principal and interest payments for the varying terms ranging from 17 to 30 years.
- 6 "Home Equity Loans" refers to home equity loans with interest rates fixed for the remaining term of the loan.
- 7 "Habitat Loans" refers to 0% interest rate loans purchased from local Habitat for Humanity affiliates at a price of 70% of the par value.
- 8 "Home Repair Loans" refers to home repair loans with interest rates fixed for the remaining term of the loan.

As of March 31, 2018, there were 363 delinquent Mortgage Loans (60 days and over) aggregating \$24,444,719 principal amount[†]. A summary of the delinquent Mortgage Loans is reflected in the table below.

Delinquency Status	Number of Loans	% of Total Portfolio	Loan Amount	% of Loan Amount
60 days	96	1.14%	\$ 9,055,907	1.50%
90 days and over	267	3.17	15,388,813	2.54
Total	363	4.31%	\$24,444,719	4.04%

[†] Of these delinquent Mortgage Loans, 55 loans aggregating \$5,228,881 are in the process of foreclosure and are reflected in the table above. In addition, 39 properties aggregating approximately \$5,237,973 principal amount have been foreclosed and are not reflected in the above table.

Loan Modifications

In November of 2002, RIHousing initiated a rate modification program in order to discourage borrowers from prepaying their Program Loans. The program was terminated in February 2017. Since the inception of the program through December 31, 2016, when the last activity occurred for the program, the interest rates on approximately 2,255 Program Loans, with an aggregate outstanding balance of approximately \$266,105,265 at the time of modification, have been modified. As of December 31, 2016, the weighted average initial interest rate for such loans was 6.29% and the weighted average modified interest rate for such loans was 5.36%. The statistical information shown in "MORTGAGE LOAN PORTFOLIO" above reflects the modified interest rates for such loans.

RIHousing has a policy of exploring a variety of loss mitigation options as an alternative to foreclosure when it determines that such options are in its best interests to mitigate potential losses. In the case of delinquencies of Mortgage Loans insured or guaranteed by Veteran's Administration ("VA") or Rural Development, RIHousing may modify the terms of such Mortgage Loans in accordance with the requirements of the mortgage insurer or guarantor. Such modifications may include the deferral of monthly payments of

principal and interest, the extension of the maturity dates and re-amortization of the outstanding principal balances of the Mortgage Loans and the permanent reduction of the interest rate for the original or extended term of the Mortgage Loan.

In the case of delinquencies of Self-Insured Mortgage Loans and Mortgage Loans insured by any private insurance company (with the consent of such insurer), RIHousing may modify the terms of the Mortgage Loans generally in accordance with the guidelines applicable to the federal Home Affordable Modification Program (HAMP) or as otherwise determined by RIHousing to be in its best interests to mitigate any potential losses.

Beginning in 2013, in the case of delinquencies of Self-Insured Mortgage Loans and Mortgage Loans insured by MGIC or Radian, RIHousing may modify such Mortgage Loans as follows: the principal balance and accrued and unpaid fees and advances associated with the Mortgage Loan may be split into up to three tranches. The first tranche is an amortizing loan sized to be affordable based on the Mortgagor's current income and payable over the remaining term of the original Mortgage Loan (the "Amortizing Loan"). The second tranche is a deferred loan that is equal to the difference between the then current balance on the Mortgage Loan (principal and accrued interest) and the principal amount of the Amortizing Loan (the "Deferred Payment Loan"). No payments will be due on the Deferred Payment Loan for up to forty-eight (48) months after the modification (the "Deferral Period"). No interest will accrue on the Deferred Payment Loan during the Deferral Period. The Deferred Payment Loan will convert to an amortizing mode on the first day of the month following the Deferral Period, with level monthly payments for the remaining term of the original Mortgage Loan. The third tranche, if any, will be equal to the then outstanding unpaid fees and advances associated with the Mortgage Loan (the "Forgivable Loan"). As long as the Mortgagor is not in default under the Amortizing Loan, the Forgivable Loan will be forgiven on the first day of the month following the Deferral Period. When determined to be in its best interests to mitigate potential losses, RIHousing may agree to a permanent reduction in the interest rate on the Amortizing Tranche and the Deferred Payment Loan. RIHousing may make this loss mitigation option available on Mortgage Loans insured by any other private insurance company, with the consent of such insurer. As of March 31, 2018, RIHousing held \$3,953,797 principal amount of Deferred Payment Loans and \$1,748,018 principal amount of Forgivable Loans. See "**MORTGAGE LOAN PORTFOLIO**" for certain information relating to modified Mortgage Loans.

In the case of delinquencies of Mortgage Loans insured by FHA, RIHousing modifies the terms of such Mortgage Loans in accordance with FHA requirements, subject to the waiver described below. FHA issued its Mortgage Letter 2009-35 which, effective October 23, 2009, required lenders holding FHA insured mortgage loans in default to modify such mortgage loans by reducing the interest rates to current market rates and by extending the term to a full 30 years from the date of loan modification. RIHousing has obtained a waiver of such requirements from FHA. In connection with this waiver, RIHousing advised FHA that it intends to consider, on a case by case basis and as an adjunct to other forbearance options, loan modifications to borrowers under FHA-insured loan programs similar to the modifications described above, including the payment by FHA of partial insurance claims. When determined to be in its best interests to mitigate potential losses, RIHousing may agree to a permanent reduction in the interest rate.

Mortgage Insurance

The existing Mortgage Loans held under the Bond Resolution as of March 31, 2018 are insured as follows:

Private Mortgage Insurance		
Genworth Mortgage Insurance Corp.	8.10%	\$48,982,736
Mortgage Guaranty Insurance Corp.	19.54	118,157,233
Radian Guaranty, Inc. (formerly Commonwealth)	3.13	18,948,845
PMI Mortgage Insurance Co.	6.06	36,664,401
Other	4.29	25,972,557
FHA Insurance	26.38	159,548,626
The United States Department of Agriculture, Rural Development (“USDA/RD”) Guaranteed	1.34	8,113,372
VA Guaranteed	1.09	6,576,902
Uninsured ⁽¹⁾	<u>30.06</u>	<u>181,828,022</u>
TOTAL	<u>100.00%</u>	<u>\$604,792,693</u> ⁽²⁾

⁽¹⁾ The uninsured Mortgage Loans have a principal balance not exceeding 80% of the Fair Market Value of the mortgaged property.

⁽²⁾ Total may not add due to rounding and excludes approximately \$806,224 of Mortgage Loans which as of March 31, 2018 were in the process of being sold or were subject to foreclosure.

Many providers of private mortgage insurance, including the providers set forth above, are experiencing significant financial difficulties and have had their credit ratings downgraded or placed on watch for a future downgrade. RIHousing makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to RIHousing of claims on the Mortgage Loans on which RIHousing may experience losses.

Geographic Concentration in Rhode Island

Different geographic regions of the United States from time to time will experience weaker regional economic conditions and housing markets, and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Any concentration of the mortgage loans in a region may present risk considerations in addition to those generally present for similar securities without that concentration. If the mortgage loans are concentrated in one or more regions, a downturn in the economy in these regions of the country would more greatly affect the mortgage portfolio than if the mortgage portfolio were more diversified. In particular, all of the Mortgage Loans are secured by mortgaged properties in Rhode Island which has been severely affected by the national economic downturn.

Because of the geographic concentration of the mortgaged properties within Rhode Island, losses on the Mortgage Loans may be higher than would be the case if the mortgaged properties were more geographically diversified. For example, the economy of Rhode Island may be adversely affected to a greater degree than the economies of other areas of the country by certain regional developments. If the residential real estate markets in an area of concentration experience an overall decline in property values after the dates of origination of the respective mortgage loans, then the rates of delinquencies, foreclosures and losses on the mortgage loans may increase and the increase may be substantial.

Hardest Hit Fund Rhode Island

RIHousing was initially awarded in 2010 approximately \$80,000,000 from the U.S. Treasury under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative pursuant to the Emergency Economic Stabilization Act of 2008 to support foreclosure prevention and housing market stabilization initiatives in Rhode Island. Subsequently, in 2016, the U.S. Department of Treasury communicated to RIHousing that an additional award of \$36.6 million was granted. RIHousing is using these funds in accordance with the Hardest Hit Fund Rhode Island (HHFRI) Program. Under HHFRI, RIHousing provides or has provided assistance to eligible homeowners for the following purposes: (i) to facilitate mortgage modifications; (ii) to assist unemployed homeowners make mortgage payments; (iii) to provide immediate foreclosure prevention assistance to address acute crises; (iv) to facilitate relocation, short sale or deed-in-lieu of foreclosure where a homeowner can no longer afford to stay in the home; (v) to facilitate a no cash out refinance to produce long-term mortgage sustainability to homeowners with negative equity; and (vi) to provide down payment assistance to qualified homebuyers who purchase and occupy property in targeted hardest hit areas in Rhode Island. RIHousing borrowers, including borrowers funded with Bond proceeds, are eligible for and, in some cases, have received HHFRI assistance, provided they meet all programmatic requirements. As of June 30, 2018, approximately \$20,000,000 of the 2016 award has been expended on HHFRI programs and related administration.

INVESTMENTS AND INVESTMENT AGREEMENTS UNDER THE BOND RESOLUTION

The Series 69 Bonds are entitled to the equal benefit, protection and security provided by the investment of unexpended proceeds of Bonds issued under the Bond Resolution in various Investment Securities and investment agreements which qualify as Investment Securities as well as other assets under the Bond Resolution, Mortgage Loans, Loan Account, Debt Service Reserve Account, and Revenue Account. See **“APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Certain Definitions”** for a description of Investment Securities which may be acquired with amounts held under the Bond Resolution.

Funds on deposit in various Funds and Accounts under the Bond Resolution and allocated to the Series 69 Bonds are expected to be invested in investments which qualify as Investment Securities under the Bond Resolution. RIHousing is considering entering into an Investment Agreement with respect to amounts in one or more of the Funds or Accounts relating to the Series 69 Bonds.

Mortgage receipts are invested in Investment Securities until the semi-annual bond payment date.

Funds maintained in the Debt Service Reserve Account established for any Series of Bonds bear interest at fixed rates and are invested as set forth in the following table as of March 31, 2018. See **“SECURITY FOR THE SERIES 69 BONDS — Debt Service Reserve Account.”**

Series of Bonds	Investment Securities or Investment Agreement Provider	Amount (as of March 31, 2018)	Maturity	Interest Rate
15-A	Bayerische Landesbank Girozentrale	\$2,883,495	October 1, 2024	7.530%
62	Federal National Mortgage Association (“FNMA”)	1,947,186	October 1, 2042	3.000
General Reserve [†]	FNMA	2,876,939	August 1, 2042	3.500
General Reserve [†]	Government National Mortgage Association (“GNMA”)	355,915	March 20, 2039	5.500
General Reserve [†]	GNMA	969,803	June 20, 2039	5.000
General Reserve [†]	GNMA	1,756,387	July 20, 2039	4.500

[†] Funded with available funds under the Resolution.

HOMEOWNERSHIP OPPORTUNITY PROGRAM

General

Under authority granted in the Act and the Bond Resolution, RIHousing has established the Program, pursuant to which it is permitted to finance Program Loans and Program Securities. Program Loans expected to be financed with the proceeds of the Bonds Outstanding under the Bond Resolution will consist of (a) mortgage loans, including qualified acquisition and/or rehabilitation loans (“Mortgage Loans”) made to eligible borrowers to acquire or rehabilitate and refinance owner occupied housing, with respect to certain series of Bonds, (b) home repair loans (“Home Repair Loans”) made to eligible borrowers to make repairs or improvements to their homes, (c) Extra Assistance Loans made to provide downpayment and/or closing cost assistance and (d) Home Equity Loans. Mortgage Loans are secured by mortgages (“Mortgages”) on owner occupied housing consisting of one to four dwelling units or secured by a mortgage equivalent (“Mortgage Equivalent”) such as a pledge or assignment of a leaseholder share in a cooperative housing corporation or similar entity and a proprietary lease related to the financed premises or a security interest in a modular or mobile housing unit which is permanently affixed to a foundation, with the largest portion of such Mortgage Loans being secured by first lien Mortgages on single family owner-occupied dwelling units. Extra Assistance Loans are made only in conjunction with the origination of a Mortgage Loan and will be secured by subordinate mortgages on the related residences. Home Equity Loans are home equity loans secured by first, second or third mortgages. RIHousing expects that substantially all New Series 69 Program Loans will be Mortgage Loans secured by first mortgages, with approximately 5% of New Series 69 Program Loans consisting of Extra Assistance Loans, which are second or third mortgages. However, RIHousing has acquired and expects to continue to acquire some Home Repair Loans and Home Equity Loans. Any such Home Repair Loans and Home Equity loans will not be funded from proceeds of the Series 69 Bonds but from other available sources under the Resolution. See **“MORTGAGE LOAN PORTFOLIO”** for information relating to the portfolio of Mortgage Loans currently held by RIHousing under the Bond Resolution.

No more than one-third of New Series 69 Program Loans may be used to finance the acquisition of newly-constructed residences. In addition, no more than twenty-five percent (25%) of New Series 69 Program Loans may be used to finance the purchase of single family residences in condominiums of more than fifty (50) units.

Requirements of Bond Resolution

The Bond Resolution authorizes Bonds to be issued to provide funds to RIHousing to fund Program Obligations and to provide moneys for deposit into the various Accounts established under the Bond Resolution. The Bond Resolution requires that certain matters with respect to Program Loans (the “Series Program Determinations”) be determined (or provisions for determining the Series Program Determinations at certain specified times in the future be set forth) in a Supplemental Resolution with respect to each Series of Bonds which will fund Program Loans. The Series Program Determinations include the following: (i) in the case of Mortgage Loans, the type of Mortgage or Mortgage Equivalent which will secure each Mortgage Loan and whether such Mortgage or Mortgage Equivalent shall be a first lien, a coordinate first lien, a second lien or a combination thereof; (ii) in the case of Home Repair Loans, the type of Mortgage which will secure each Home Repair Loan and whether such Mortgage shall be a first lien, a coordinate first lien, a second lien, a third lien or a combination thereof; (iii) in the case of Extra Assistance Loans, the type of Mortgage which will secure each Extra Assistance Loan, whether such Mortgage shall be a second lien, a third lien or unrecorded and the eligible recipients of such Extra Assistance Loans; (iv) whether each Program Loan shall have approximately equal monthly payments or graduated payments or have a fixed or variable rate of interest; (v) the maximum term to maturity of each Program Loan; (vi) whether the property to be financed with each Program Loan shall be a principal residence; (vii) required primary mortgage insurance, if any, and the levels of coverage thereof; (viii) limitations, if any, applicable to purchases of Program Loans relating to planned unit developments, condominiums and/or cooperatives, geographic concentration and type of principal and interest characteristics; (ix) provisions relating to Recoveries of Principal, including application thereof for redemption or financing new Program Loans; (x) maximum Costs of Issuance and Program Expenses for such Series of Bonds to be paid for from amounts held under the Resolution; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Program Loans; (xii) the terms of investments of funds held in the Debt Service Reserve Account; and (xiii) any other provision deemed advisable by RIHousing not in conflict with the Bond Resolution; provided that RIHousing may permit any of the above determinations to be applied to any portion of the proceeds of a Series to be established by a Certificate of an authorized officer of RIHousing to be delivered to the Trustee prior to the date that such proceeds are applied to the financing of Program Obligations together with evidence that such determinations do not affect the then current rating on the Bonds. There is no requirement in the Bond Resolution that Program Loans be secured by first lien Mortgages.

Availability of Program Loans for Purchase

One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that the prospective borrowers can afford. There are a number of ways in which mortgage loans could become available at rates competitive with those specified for Program Loans to be financed with Bond proceeds in the future. As of the date of issuance of the Series 69 bonds, no Bond proceeds other than the proceeds of the Series 69-B Bonds are expected to be available for such purpose. For example, prevailing interest rates for conventional mortgage loans and home improvement loans in the State could decrease or other funds to make real estate loans at rates and on other terms equivalent or more favorable than the rates and terms on the Program Loans could be made available by RIHousing, other governmental entities or other lenders. In the event that, prior to all Program Loans being originated by the Mortgage Lenders, funds to make mortgage loans were to become available in the State at rates and terms competitive with those specified for the Program Loans, the Mortgage Lenders might not be able to originate Program Loans, equal to the total available funds, with the result that there would be certain special or mandatory redemptions at par.

Mortgage Loan Servicing

Approximately 1% of all Mortgage Loans currently held by RIHousing are serviced by the Mortgage Lender which originated the Mortgage Loan. All remaining Mortgage Loans are serviced by RIHousing.

Special Procedures for Compliance with Applicable Federal Tax Law

Most of the Program Loans held under the Bond Resolution have been financed with the proceeds of federally tax-exempt bonds. RIHousing has established certain procedures for the purpose of certifying that the Program Loans financed in whole or in part with federally tax-exempt Bond proceeds satisfy the requirements of applicable federal tax law. RIHousing has covenanted that each Program Loan made for the acquisition of a residence and financed in whole or in part with federally tax-exempt Bonds will satisfy the requirements of the Code set forth below as of the date of purchase thereof. The purchase price and income limits and other requirements set forth below are current requirements and are subject to change and the Program Loans financed in whole or in part with federally tax-exempt Bond proceeds are subject to requirements existing at the time Program Loans are originated.

(1) Each Mortgagor shall certify that the proceeds of the Program Loan will be used only to acquire a one to four-family residence that will be owned by the Mortgagor and located in the State. Such residence shall include only such property that, under applicable local law, is a fixture to land or land appurtenant to the residence that is reasonably required to maintain its basic livability and that does not provide the Mortgagor with any source of income other than incidentally;

(2) Each Mortgagor shall certify that the proceeds of the Program Loan will not be used to acquire or replace an existing mortgage and that the Mortgagor has not had a previous mortgage (whether or not paid off) on the residence to be acquired (other than a construction period loan, bridge loan or similar temporary initial financing with a term of 24 months or less);

(3) Each Mortgagor shall certify with respect to the residence to be acquired that, on the date of execution of the Program Loan, the Mortgagor (i) is presently occupying such residence (or, in the case of a two to four-dwelling unit, a unit of such residence) as his principal residence, or intends to occupy such residence (or unit of such residence) as his principal residence within a reasonable time (e.g., 60 days) after the date of execution or assumption of the Program Loan, (ii) shall continue to maintain the residence (or unit of such residence) as his principal residence, and (iii) reasonably expects that such residence (or unit of such residence) will not be used in a trade or business, as an investment property or as a recreational home;

(4) The acquisition cost of each residence must comply with the purchase price limitations then in effect or such other acquisition cost limitations as are allowable under the Code. The determination under the preceding sentences shall be made as of the date on which the commitment to make the Program Loan is made (or, if earlier, the date of purchase of the residence);

(5) Maximum income limits equal to 115% (100% for families of less than three persons) or less of applicable median family income have been established for Mortgagors in connection with Program Loans to be made for residences located in Non-Targeted Areas. No income limits will be imposed on Mortgagors in connection with one-third (1/3) of the Program Loans for residences located in Targeted Areas. For the remaining two-thirds (2/3) of the Program Loans to be made to residences located in Targeted Areas, income limits equal to 140% (120% for families of less than three persons) of applicable median family income will be imposed;

(6) Except in the case of Program Loans for Targeted Area residences and qualified rehabilitation loans or home improvement loans, and to the limited extent provided in paragraph (2) above, each Mortgagor with respect to any Program Loan purchased in whole or in part with the proceeds of the Bonds shall (i) certify that such Mortgagor did not have a present ownership interest in a principal residence of such Mortgagor at any time during the three-year period ending on the date the Program Loan is executed or assumed, and (ii) submit, for each of the preceding three years, copies of such Mortgagor's federal income tax returns which were filed with the Internal Revenue Service (or for one or more of the years in question RIHousing shall obtain such returns or a letter

from the Internal Revenue Service in accordance with Revenue Procedure 82-16, 1982-9 I.R.B. 29), which returns and/or letter shall indicate that the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to property constituting the principal residence of such Mortgagor or report capital gains with respect to the sale of such property. In lieu of such tax returns or letter, RIHousing may review the Mortgagor's credit report for evidence of prior home ownership or the Mortgagor may provide an affidavit affirming that such Mortgagor was not required to file a federal income tax return during one or all of such years in accordance with Section 6012 of the Code because the Mortgagor did not satisfy the minimum income requirements set forth in such Section;

(7) With respect to any Program Loan, the proceeds of which are to be used to acquire a two to four-unit residence, each Mortgagor shall certify, and RIHousing shall establish that such residence was first occupied as a residence at least five years before the date the Program Loan is executed or alternatively with respect to the acquisition of a two-unit residence, that such residence is located in a targeted area and the family income of the Mortgagor does not exceed 140% (120% for families of less than 3 persons) of the applicable median family income;

(8) The certifications required under this subheading shall be made in an affidavit executed by the Mortgagor on or before the date the Program Loan is executed and, if made before such date, shall be reaffirmed by the Mortgagor as true on and as of such Program Loan execution date; and

(9) Each Program Loan shall provide that it shall become immediately due and payable if RIHousing discovers that any certification is not true.

In the case of Program Loans for the rehabilitation of homes already owned by Mortgagors, RIHousing has also covenanted that such loans will, as of the date of purchase, satisfy all of the requirements set forth above in paragraphs (3), (5), (7) and (9). In the case of Program Loans made for the acquisition and rehabilitation of a residence or for the rehabilitation of a residence already owned by the Mortgagor, a period of at least 20 years must have elapsed between the date on which the residence was first used and the date rehabilitation commences. The expenditures for such rehabilitation must, moreover, equal or exceed 25% of the Mortgagor's adjusted basis in the rehabilitated residence determined as of the date the rehabilitation is completed or, if later, the date the residence is acquired. In the rehabilitation process, (x) at least 50% of the external walls of the residence must be retained in place as such; (y) at least 75% of the external walls of the building must be retained in place either as external or as internal walls; and (z) at least 75% of the existing internal structural framework of the building must be retained in place.

RIHousing shall maintain a staff of personnel experienced or trained in the evaluation of residential financing documentation who shall review the documentation of each Program Loan purchase application and each assuming Mortgagor's certifications to determine whether such documentation reflects compliance with the requirements of the applicable Series Program Determinations. In addition, such staff shall conduct such investigations with respect to Mortgagors and the residences financed by the proceeds of the Program Loans as are necessary to give RIHousing reasonable assurance that such certifications are true and that such requirements are met with respect to each Program Loan. RIHousing may enter into underwriting agreements with certain Mortgage Lenders pursuant to which the Mortgage Lenders would determine compliance of Mortgage Loans submitted for purchase with the underwriting criteria of RIHousing and applicable Federal tax laws and regulations.

In the event RIHousing discovers that any Mortgagor certifications required as described above were not, at the time they were made, true, or that the Program Loan does not meet all the requirements of the applicable Series Program Determinations, or that any applicable requirement of subsections (c), (d), (e), (f) or (i) of Section 143 of the Code is not met with respect to the Program Loan, RIHousing shall, within a reasonable time after such failure is first discovered, either (i) sell the Program Loan and deposit in the Loan Account an amount equal to the unpaid principal amount thereof, which amount shall be obtained from (A) the

proceeds of sale of the Program Loan and (B) other available funds of RIHousing, or (ii) declare the Program Loan to be immediately due and payable and take all actions necessary to promptly recover from the Mortgagor all amounts due on the Program Loan.

RIHousing intends to inform Mortgagors that failure to occupy the residence financed by Program Loans for a period of 12 consecutive months may result in the inability of the Mortgagors to deduct interest payments made during such period of nonoccupancy for purposes of calculating federal taxable income.

Subject to certain exceptions, for at least one year after the date financing is first made available in any Targeted Area, at least 20% of the funds available in the Loan Account to finance Program Loans or 40% of the average annual aggregate principal amount of mortgages executed during the immediately preceding three (3) calendar years for single family owner occupied residences in Targeted Areas, whichever is less, are required under Section 143 of the Code to be set aside to purchase Program Loans in Targeted Areas.

Sections 143(g) and 148 of the Code impose certain arbitrage requirements which must be satisfied to maintain the exclusion from gross income of interest on the Bonds of RIHousing. First, pursuant to Code Section 143(g), the yield on the Program Loans may not exceed the yield on the related Series of Bonds by more than one and one-eighth percentage points (1.125%). Second, Section 148(f) requires the amount earned on nonmortgage investments with a yield greater than the yield on the Series of Bonds, attributable to such nonmortgage investments, to be paid to the federal government. Pursuant to the Bond Resolution, RIHousing has established procedures to comply with these requirements.

For Mortgage Loans made after December 31, 1990, the Code requires a payment to the United States from certain mortgagors upon the sale of their homes (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be the subsidy provided by a qualified mortgage be paid to the United States upon disposition of the home (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount increases during the first 5 years of ownership, with full recapture occurring if the home is sold on or before the end of the fifth year. The recapture amount declines ratably to zero with respect to sales occurring in years 6 through 9. The Code excludes from recapture, however, part or all of the subsidy in the case of assisted individuals whose incomes are less than the prescribed amounts at the time of disposition.

Prepayments

Program Loans funded by RIHousing permit partial or complete prepayment without penalty. Such Program Loans may also be terminated prior to their respective final maturities as a result of such events as default, sale, condemnation or casualty loss. Experience indicates that some level of prepayments will occur in a portfolio of mortgage loans such as those to be held by RIHousing. A number of factors, including general economic conditions, the Recapture Provision, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of Program Loans. Because Program Loans under the Program may bear interest rates which are often lower than the then current market interest rates, it is difficult to predict prepayments for RIHousing portfolio from available data about other pools of mortgage loans. For a table showing recent prepayment experience for Program Loans allocable to each series of the Bonds, See "**APPENDIX H — ESTIMATED QUARTERLY OUTSTANDING MORTGAGE LOAN BALANCE AND PREPAYMENT AMOUNTS.**" Such experience may not be an indicator of future prepayment experience generally or with respect to Program Loans allocable to any series of Bonds. Unless required to be applied to the redemption of Bonds as described under the heading "**DESCRIPTION OF THE SERIES 69 BONDS — Redemption Provisions — *Extraordinary Mandatory Redemption of PAC Bonds.***" or otherwise restricted by the related Series Resolution, RIHousing may elect to apply prepayments to the redemption of Bonds or to the purchase of new Program Loans.

Since 2002, RIHousing has offered existing mortgagors who have rates above current market rates and have inquired of RIHousing whether it is possible to refinance Program Loans an opportunity to reduce the rate applicable to their Program Loan to a rate closer to existing market rates. It is the hope of RIHousing that this

would reduce the number of prepayments that occur through refinancing from other sources. RIHousing is not able to predict the extent to which this program will affect prepayments within RIHousing's portfolio. Program Loans, other than Program Loans insured by FHA or guaranteed by VA, purchased with the proceeds of Bonds may not be assumed. Any Program Loan which is assumed must comply with all requirements of the Program at the time such Program Loan is assumed.

Changes in Federal or State Law or Regulations

Legislation or regulations affecting the Series 69 Bonds and Mortgage Loans may be considered and enacted by the United States Congress or the Rhode Island State legislature or federal or state regulatory bodies. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of revenues available to pay, or the security for the Series 69 Bonds or other risks to the Owners.

OTHER PROGRAMS OF RIHOUSING

The following information with respect to other programs of RIHousing authorized by the Act is supplied for background information purposes and obligations issued with respect thereto are not secured by the Bond Resolution, nor are they payable from the assets or revenue sources pledged to the payment of the Bonds.

In 2009, RIHousing established a "New Issue Bond Program" ("NIBP") with the United States Treasury to make funds available to purchase mortgage loans to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families. Following the establishment of such NIBP program until 2012, RIHousing funded single family mortgages under such program rather than through the issuance of additional Bonds under the Bond Resolution. RIHousing financed single family mortgage loans with proceeds of bonds issued under and secured by the Home Funding Bond resolution adopted in connection with such NIBP program, which mortgage loans have an outstanding aggregate principal amount of \$35,951,047 as of March 31, 2018. Mortgage loans funded under the NIBP program are pledged as security only for the bonds issued under the Home Funding Bond resolution.

RIHousing has several programs to assist in making multifamily housing and health care facilities available for occupancy by persons and families of low and moderate income. As of March 31, 2018, RIHousing had multifamily mortgage loans outstanding with respect to multifamily projects financed with proceeds of bonds issued under and secured by other resolutions, which mortgage loans have an outstanding aggregate principal amount of \$511,900,242 (the "Multifamily Loans"). Multifamily Loans financed with the proceeds of bonds issued under such resolutions are pledged as security only for the bonds issued under such resolutions.

RIHousing has funded all or a portion of the State's obligations under a state rental assistance program which provides Rental Subsidy Payments to certain entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island affordable by individuals or families of low or moderate income for most years since fiscal 1990. The State's obligation to make Rental Subsidy Payments under the Assistance Program is subject to annual appropriation by the Rhode Island General Assembly. From fiscal 1994 through fiscal 2018, RIHousing has made the annual payment on behalf of the State in amounts ranging from approximately \$4.2 million (in fiscal 2003) to \$300,000 (in fiscal 2018). Rental Subsidy Payments were determined pursuant to contracts the last of which expired in 2012.

In addition to servicing its own residential loan portfolio, RIHousing has expanded its loan servicing operations to provide mortgage loan sub-servicing and document custodian services to other residential mortgage lenders and one other state housing finance agency.

TRUSTEE

The Trustee for the Bonds is The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island, as successor Trustee. The Trustee also serves as bond trustee for other outstanding bonds of RIHousing. The Trustee also acts as Paying Agent for the Series 69 Bonds. Principal, premium, if any, and interest on the Series 69 Bonds will be payable at the Paying Agent's corporate trust office in Dallas, Texas.

RIHousing indemnifies and holds the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Trustee may become the owner of Bonds, with the same rights as it would have as if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds outstanding.

The Bondholders of a certain percentage of the principal amount of the Outstanding Bonds may instruct the Trustee to act as further described in "**APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Remedies.**" The Trustee is not under any obligation or duty to perform any act which would involve it in expense or liability, or to institute or defend any suit in respect of the Resolution, or to advance any of its own moneys, unless properly indemnified.

AGREEMENT OF THE STATE

Pursuant to the Act, the State has pledged to and agreed with the Holders of any Bonds that the State will not limit or alter the rights vested in RIHousing to fulfill the terms of any agreements made with them, or in any way impair the right and remedies of such Holders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

STATE NOT LIABLE ON BONDS

The Bonds of RIHousing shall not be in any way a debt or liability of the State or of any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation of the State or of any political subdivision or be or constitute a pledge of the faith and credit of the State or of any such political subdivision, but such Bonds shall be payable solely from revenues or funds of RIHousing under the Resolution pledged for their payment.

LEGALITY FOR INVESTMENT

The Act provides that the Bonds shall be legal investments in which all public officers and public bodies of the State, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking institutions including savings and loan associations, building and loan associations, trust companies, savings banks and savings associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. The Bonds are securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

LITIGATION

RIHousing is party to certain claims and lawsuits which are being contested. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either RIHousing's financial position or the result of its operations.

APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Series 69 Bonds are subject to the approval of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, whose opinion, in substantially the form of **APPENDIX D** hereto will be delivered upon the issuance of the Series 69 Bonds.

Certain legal matters in connection with the issuance of the Series 69 Bonds are subject to the approval of Nixon Peabody LLP, Providence, Rhode Island, Special Counsel to RIHousing and to the approval of Hawkins Delafield & Wood LLP, New York, New York, Counsel to the Underwriters.

RATINGS

S&P Global Ratings ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings on the Series 69 Bonds at the request of RIHousing. S&P and Moody's have assigned the ratings "AA+" and "Aa1," respectively, with respect to the Series 69 Bonds. Any explanation of the significance of such ratings should be obtained directly from S&P and Moody's, respectively. There is no assurance that a particular rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely, if, in the judgment of the rating service, circumstances so warrant. Any downward revision or withdrawal of any such ratings will have an adverse effect on the market price of the Series 69 Bonds.

UNDERWRITING

RBC Capital Markets, LLC; J.P. Morgan Securities LLC; Morgan Stanley & Co. LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Barclays Capital Inc.; George K. Baum Company, Inc.; Janney Capital Markets; Jefferies LLC; Loop Capital Markets, LLC; Oppenheimer & Co., Inc.; and Roosevelt & Cross, Inc. (collectively, the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the Series 69 Bonds from RIHousing at a purchase price of \$107,186,796.30, representing the principal amount of the Series 69 Bonds plus original issue premium of \$1,916,796.30. The Underwriters will be paid a fee in connection with the purchase of the Series 69 Bonds in an amount equal to \$732,759.70. The Underwriters' obligations, are subject to certain conditions precedent, and they will be obligated to purchase all the Series 69 Bonds, if any Series 69 Bonds are purchased.

J.P. Morgan Securities LLC ("JPMS"), is providing the following language for inclusion in this Official Statement. JPMS one of the Underwriters of the Series 69 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Series 69 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 69 Bonds that such firm sells.

Maria Barry, an employee of an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Underwriters of the Series 69 Bonds, is a commissioner of RIHousing.

Morgan Stanley & Co. LLC is providing the following language for inclusion in this Official Statement. Morgan Stanley & Co. LLC., an underwriter of the Series 69 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the

financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 69 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for RIHousing, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of RIHousing. Without limiting the generality of the foregoing, each of the Underwriters and their affiliates may hold bonds that RIHousing is refunding through the issuance of the Series 69 Bonds and, as a result, may receive proceeds from such refunding.

TAX MATTERS

Series 69-A Bonds and Series 69-B Bonds

Certain Federal Tax Law Requirements

Section 143 of the Code provides that interest on obligations of a governmental unit such as RIHousing issued to finance single family residences is excludable from gross income for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations, the use of the funds generated by the issuance of the obligations, the nature of the residence and the mortgage to be financed and the eligibility of the borrower executing the mortgage. Section 143 requires that RIHousing include restrictions in all relevant documents to permit financing only in accordance with such requirements and that RIHousing establish reasonable procedures to assure compliance. These requirements and procedures are described in the Mortgage Purchase Agreements and RIHousing's Program Guide, Program Bulletins and Rules.

An issue of bonds is treated as meeting the mortgage eligibility requirements of Section 143 if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered and (iii) 95% or more of the proceeds of the issue which were used to make loans were used to finance residences meeting all such requirements at the time the loans were executed. In determining whether 95% of the proceeds have been so used, Section 143 permits RIHousing to rely on affidavits of the mortgagor and of the seller and on an examination of copies of the mortgagor's federal income tax returns (or an affidavit that such returns were not required to be filed or a letter from the IRS that form 1040A or 1040EZ was filed) for the three years preceding the date the mortgage is executed even though the relevant information in such affidavits and returns should ultimately prove to be untrue. RIHousing may not rely on such affidavits or the income tax returns of the mortgagor if either it or the Mortgage Lenders know or have reason to believe that such information is false. An issue of bonds is treated as meeting the targeting and arbitrage requirements of Section 143 of the Code if (i) the issuer in good faith attempted to meet all of these requirements and (ii) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with these requirements.

RIHousing has included provisions in the Resolution, the Program Guide, the Mortgage Purchase Agreements, and other relevant documents and has established procedures (including receipt of certain

affidavits and representations from Mortgage Lenders and Mortgagors respecting the Program Loan eligibility requirements) in order to assure compliance with the qualified mortgage eligibility requirements and the other requirements which must be met subsequent to the date of issuance. See “**HOMEOWNERSHIP OPPORTUNITY PROGRAM — Special Procedures for Compliance with Applicable Federal Tax Law.**” RIHousing has covenanted in the Resolution that it will not take or refrain from taking or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue that would adversely affect the exemption from federal income taxation of interest on the Series 69 Tax-Exempt Bonds. To such end, RIHousing has also agreed to adopt and maintain appropriate procedures for compliance with applicable federal tax law. RIHousing believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Series 69 Tax-Exempt Bonds will be applied in accordance with the requirements of Section 143 of the Code, to the extent applicable, so as to assure that interest on the Series 69 Tax-Exempt Bonds will be exempt from federal income taxation. In the opinion of Bond Counsel, the Program documentation establishes procedures under which, if followed, the requirements of applicable federal tax law can be met.

Section 143 of the Code requires the filing of an annual report on all mortgage loans made in a calendar year from the proceeds of bonds issued after 1984. RIHousing has established procedures to enable it to meet this reporting requirement.

Opinions of Bond Counsel

On the date of the issuance of the Series 69 Tax-Exempt Bonds, Kutak Rock LLP, Bond Counsel, will deliver its approving opinions to the effect that under then-existing statutes and court decisions assuming continuing compliance by RIHousing with the Resolution and the covenants contained therein concerning federal tax laws described above, interest on the Series 69 Tax-Exempt Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; provided, however, that (ii) interest on the Series 69-A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals, corporations and other taxpayers and (ii) interest on the Series 69-B Bonds will not be treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals, corporations and other taxpayers and is not included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax on such corporations.

Certain Additional Federal Tax Consequences

Although Bond Counsel has rendered its opinion that interest on the Series 69 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on such Bonds may otherwise affect the federal income tax liability of the recipient’s particular tax status of other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 69 Tax-Exempt Bonds, particularly purchasers that are subchapter S corporations, foreign corporations operating branches in the United States, property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 69 Tax-Exempt Bonds.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or otherwise prevent bondholders of the Series 69 Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest, or adversely affect the market value of the Series 69 Tax-Exempt Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in

a particular manner, could adversely affect the market value of the Series 69 Tax-Exempt Bonds. Purchasers of the Series 69 Tax-Exempt Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial authorities as of the date of issuance and delivery of the Series 69 Tax-Exempt Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Premium and Discount. An amount equal to the excess of the issue price of any Series 69 Tax-Exempt Bond over its stated price at maturity (a “Premium Bond”) constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to the optional call date that would produce the lowest yield for such bond. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no Federal income tax deduction is allowed.

Any Series 69 Tax-Exempt Bonds originally offered at a price below the amount payable on such Bonds at maturity are known as Discount Bonds, the difference being hereinafter referred to as “Original Issue Discount.” An owner of a Discount Bond shall accrue Original Issue Discount by using the economic accrual method, and such accruals shall be treated as (i) tax exempt interest received by the owners of such Discount Bonds, and (ii) added to the owner’s tax basis for purposes of determining gain or loss upon a sale or redemption of a Discount Bond. The amount representing Original Issue Discount that is treated as being received by an owner of a Discount Bond will be added to the owner’s tax basis for purposes of determining gain or loss upon a sale or redemption of a Discount Bond.

Purchasers of Premium Bonds and Discount Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium and discount for Federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond or a Discount Bond.

Backup Withholding. Interest on tax-exempt obligations such as the Series 69 Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 69 Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Series 69-T Bonds

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 69-T Bonds (the “Series 69 Federally Taxable Bonds”) under the Code, the regulations promulgated thereunder (final and proposed) (the “Regulations”), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 69 Federally Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 69 Federally Taxable Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 69 Federally Taxable Bonds, Bond Counsel has advised that the Series 69 Federally Taxable Bonds will be treated for federal income tax purposes as evidences of indebtedness of RIHousing and not as an ownership

interest in the trust estate securing the Series 69 Federally Taxable Bonds or as an equity interest in RIHousing or any other party, or in a separate association taxable as a corporation. Although the Series 69 Federally Taxable Bonds are issued by RIHousing, a public corporation and instrumentality and agency of the State, interest on the Series 69 Federally Taxable Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under the Code. Interest on the Series 69 Federally Taxable Bonds will be fully subject to federal income taxation. Thus, owners of the Series 69 Federally Taxable Bonds generally must include interest (including original issue discount) on the Series 69 Federally Taxable Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 69 Federally Taxable Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 69 Federally Taxable Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount) will be treated as a return of capital.

The Code contains special federal income tax rules for “real estate mortgage investment conduits” (“REMICs”). RIHousing does not intend to elect to treat the arrangement by which the trust estate secures the Series 69 Federally Taxable Bonds as a REMIC.

The Series 69 Federally Taxable Bonds will not (a) constitute “loans ... secured by an interest in real property,” within the meaning of Section 7701(a)(19)(C)(v), of the Code, (b) constitute “real estate assets,” within the meaning of Section 856(c)(5)(B) of the Code, or (c) constitute “Government securities,” within the meaning of Section 851(b)(3)(A)(i) of the Code. Interest on the Series 69 Federally Taxable Bonds will not be considered “interest on obligations secured by mortgages on real property or on interests in real property,” within the meaning of Section 856(c)(3)(B) of the Code.

Premium. An investor that acquires a Federally Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds the Federally Taxable Bond as a capital asset will be considered to have purchased the Federally Taxable Bond at a premium and, under Section 171 of the Code, must generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of bond premium, but such regulations do not fully address the method to be used to amortize bond premium on obligations such as the Series 69 Federally Taxable Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing bond premium.

Market Discount. An investor that acquires a Federally Taxable Bond for a price less than the adjusted issue price of such Federally Taxable Bond (or an investor who purchases a Federally Taxable Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a Federally Taxable Bond originally issued at a discount, the amount by which the issue price of such Federally Taxable Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Federally Taxable Bond not originally issued at a discount, the amount by which the stated redemption price of such Federally Taxable Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Federally Taxable Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described at “Sale or Other Dispositions” under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income based on the above described prepayment assumption with respect to the trust estate either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Federally Taxable Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Federally Taxable Bond who acquired a Federally Taxable Bond at a market discount also may be required to defer, until the maturity date of such Federally Taxable Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Federally Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Federally Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Federally Taxable Bond for the days during the taxable year on which the owner held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Federally Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Federally Taxable Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Federally Taxable Bond. The adjusted basis of a Federally Taxable Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Federally Taxable Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Federally Taxable Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Federally Taxable Bond to which it is attributable is held as a "capital asset." Currently, for corporations, capital gains are taxed at the same rate as ordinary income. However, for individuals and certain estates and trusts, the maximum capital gain rates are set forth in Section 1(h) of the Code. Such taxpayers who have sold or had their Series 69 Federally Taxable Bond redeemed should consult their tax advisors regarding the applicable capital gain tax rate.

Gain on the sale or other disposition of a Federally Taxable Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Federally Taxable Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount").

Backup Withholding for Series 69 Federally Taxable Bonds. Payments of principal and interest (including original issue discount) on the Series 69 Federally Taxable Bonds, as well as payments of proceeds from the sale of Series 69 Federally Taxable Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code at a rate of 31% with respect to interest or original issue discount on the Series 69

Federally Taxable Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Federally Taxable Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Federally Taxable Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Federally Taxable Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series 69 Federally Taxable Bonds owned by foreign investors. In those instances in which payments of interest on the Series 69 Federally Taxable Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 69 Federally Taxable Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Federally Taxable Bond.

Foreign Account Tax Compliance Act. In addition to the federal income tax, withholding tax and backup withholding tax described above, under the Foreign Account Tax Compliance Act (“FATCA”) and related administrative guidance, U.S. withholding at a rate of 30% generally will be required in certain circumstances on interest payments (including OID) in respect of the Series 69 Federally Taxable Bonds. After December 31, 2018, gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of the Series 69 Federally Taxable Bonds held by or through certain foreign financial institutions (including investment funds) may also be subject to a 30% withholding tax, unless such institution (a) enters into, and complies with, an agreement with the Internal Revenue Service to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. Persons and by certain non-U.S. entities that are wholly or partially owned by U.S. Persons and to withhold on certain payments or (b) if required under an intergovernmental agreement between the U.S. and an applicable foreign country, reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the U.S. and an applicable foreign country, or other guidance, may modify these requirements. Accordingly, the entity through which the Series 69 Federally Taxable Bonds are held will affect the determination of whether such withholding is required. Similarly, under FATCA, in certain circumstances interest payments (including OID) and, after December 31, 2018, gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of the Series 69 Federally Taxable Bonds held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any “substantial United States owners” or (b) provides certain information regarding the entity’s “substantial United States owners,” which the Trustee will in turn provide to the Internal Revenue Service. Holders of the Series 69 Federally Taxable Bonds will not receive additional amounts from the trust estate in respect of any amounts withheld. This withholding will apply regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under the portfolio interest exemption or as capital gain). Foreign financial institutions

located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules. A foreign entity will generally claim an exemption from FATCA withholding, if the exemption is available, by properly filling out and giving to the person making payments to it IRS Form W 8BEN E, though other W 8 forms or a W 9 form may in certain cases need to be supplied. Holders of Series 69 Federally Taxable Bonds should consult their own tax advisors regarding the application and impact of FATCA, and should consult their bank or broker about the likelihood that payments to it (for credit to the holder) could become subject to FATCA withholding.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts (“IRAs”) under the Code and persons who, with respect to any such plan or arrangement, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between such a plan or arrangement and a “party in interest” with respect to ERISA or a “disqualified person” within the meaning of the Code, including the acquisition by one from the other of a Federally Taxable Bond, could be viewed as violating those prohibitions. For example, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as IRAs and disqualified persons, and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, RIHousing or any underwriter of the Series 69 Federally Taxable Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code with respect to any plan or arrangement subject to ERISA or Code Sections 4975 or 503, and prohibited transactions may arise if the Series 69 Federally Taxable Bonds are acquired by such plans or arrangements. In all events, fiduciaries of plans or arrangements subject to ERISA or the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 69 Federally Taxable Bonds.

IRS Circular 230 Disclosure. To ensure compliance with requirements imposed by the IRS, any purchaser of a Federally Taxable Bond is hereby informed that (i) any U.S. federal tax advice contained in this offering material (including any attachments) is not intended or written by Bond Counsel to RIHousing to be used, and that it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code; (ii) such advice is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the written advice; and (iii) the taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

RIHousing has agreed in the Continuing Disclosure Agreement to be entered into with the Trustee (the “Disclosure Agreements”) for the benefit of the beneficial owners of the Series 69 Bonds pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2–12 (17 CFR Part 240, §240.15c2–12) (the “Rule”) to provide the following:

(a) To the Municipal Securities Rulemaking Board (the “MSRB”), on or before 180 days following the end of each fiscal year of RIHousing, commencing with the fiscal year ended on June 30, 2018, financial information and operating data of the type included under the headings **“MORTGAGE LOAN PORTFOLIO,” “INVESTMENTS AND INVESTMENT AGREEMENTS UNDER THE BOND RESOLUTION,” APPENDIX E, APPENDIX G and APPENDIX H** (the “Annual Financial Information”) together with the annual financial statements of RIHousing prepared in accordance with GAAP, except as may be otherwise noted in the financial statements, and audited by an independent firm of certified public accountants (the “Audited Financial Statements”); provided, however, that (i) RIHousing may modify the basis upon which the financial statements are prepared if required by federal or state law and (ii) RIHousing may provide unaudited financial statements by such date in the event the Audited Financial Statements are not available,

provided that such Audited Financial Statements are provided to the MSRB when they become available; and

(b) To the MSRB and the Trustee, in a timely manner, notice of any of the following events, not in excess of ten (10) business days after the occurrence of such event, with respect to the Series 69 Bonds whether relating to RIHousing or otherwise: (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 credit enhancements reflecting financial difficulties; (5) substitution of 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 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 69 Bonds, or other material events affecting the tax status of the Series 69 Bonds; (7) modifications to rights of the holders of the Series 69 Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of RIHousing; (13) the consummation of a merger, consolidation or acquisition involving RIHousing or the sale of all or substantially all the assets of RIHousing, 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; and (14) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material.

Filings made in accordance with the Disclosure Agreement will be made by filing with the Electronic Municipal Market Access System (“EMMA”) of the MSRB.

The Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. In addition, such Annual Financial Information may be provided by specific reference to documents available to the public on EMMA or filed with the SEC.

The Disclosure Agreement may be amended without the consent of the holders of the Series 69 Bonds (except to the extent required under clause (4)(ii) below) if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of RIHousing or the type of business conducted thereby, (2) such Disclosure Agreement as so amended would have complied with the requirements of the Rule applicable to such Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) RIHousing shall have delivered to the Trustee an opinion of nationally recognized counsel expert in federal securities laws (“Securities Counsel”), addressed to RIHousing and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) RIHousing shall have delivered to the Trustee an opinion of Securities Counsel, addressed to RIHousing and the Trustee, to the effect that, or the Trustee shall have concluded that, the amendment does not materially impair the interests of the holders of the Series 69 Bonds or (ii) the holders of the Series 69 Bonds shall have consented to the amendment to the related Disclosure Agreement pursuant to the same procedures as are required under the Resolution for amendment to the Resolution with consent of the holders of the Bonds and (5) RIHousing shall have delivered copies of such opinion(s) and amendment to the MSRB.

In addition, RIHousing and the Trustee may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to RIHousing and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings contained in such Disclosure Agreement to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

RIHousing's obligations under the Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 69 Bonds. In addition, the Disclosure Agreement, or any provision thereof, shall be null and void in the event that RIHousing (1) delivers to the Trustee an opinion of nationally recognized bond counsel or Securities Counsel, addressed to RIHousing and Trustee, to the effect that those portions of the Rule which require the provisions of such Disclosure Agreement, or any of such provisions, do not or no longer apply to the Series 69 Bonds whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

The provisions of the Disclosure Agreement inure solely to the benefit of the Trustee and the holders and beneficial owners from time to time of the Series 69 Bonds.

The obligations of RIHousing to comply with the provisions of the Disclosure Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, Annual Financial Information and notices, by any beneficial owner of Outstanding Series 69 Bonds, or by the Trustee on behalf of the holders of Outstanding Series 69 Bonds, or (ii) in the case of challenges to the adequacy of the financial statements or Annual Financial Information so provided, by the Trustee on behalf of the holders of Series 69 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Series 69 Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The beneficial owners' and Trustee's rights to enforce the provisions of the Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of RIHousing's obligations under such Disclosure Agreement and RIHousing, its directors, officers and employees shall incur no liability under the Disclosure Agreement by reason of any act or failure to act thereunder. Without limiting the generality of the foregoing and except as otherwise provided in the Bond Resolution with respect to the Trustee, neither the commencement nor the successful completion of an action to compel performance under the Disclosure Agreement shall entitle the Trustee or any other person to attorneys' fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Any failure by RIHousing or the Trustee to perform in accordance with the Disclosure Agreement does not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default do not apply to any such failure.

In the past five years, RIHousing failed to make timely filings in 2014 of notices of changes in the ratings of certain insured bonds issued to finance multi-family housing projects. RIHousing supplemented its continuing disclosure filings on December 5, 2014 with respect to such bonds (to the extent such bonds were then still outstanding) to include such information. RIHousing has implemented procedures to ensure that future filings are made on a timely basis.

FINANCIAL STATEMENTS OF RIHOUSING

The financial statements of RIHousing as of and for the years ended June 30, 2017 and 2016 are included in **APPENDIX C-1** hereto. The financial statements of RIHousing as of and for the year ended June 30, 2017 have been audited by Citrin Cooperman & Company, LLP ("Citrin Cooperman"), Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. Citrin Cooperman has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has Citrin Cooperman audited or reviewed any of RIHousing's financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2017. The financial statements of RIHousing as of and for the year ended June 30, 2016 included in **APPENDIX C-1** have been audited by LGC&D LLP, Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. LGC&D LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has LGC&D LLP audited or

reviewed any of RIHousing's financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2016.

The unaudited financial statements of RIHousing for the nine-month period ended March 31, 2018, are included in **APPENDIX C-2** hereto.

MISCELLANEOUS

The references herein to the Act, the Bond Resolution and the Series 69 Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Bond Resolution and the Series 69 Resolution for full and complete statements of provisions. The agreements of RIHousing with the holders of the Series 69 Bonds are fully set forth in the Bond Resolution and the Series 69 Resolution and this Official Statement is not to be construed as a contract with the purchasers of the Series 69 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Copies of the Act, the Bond Resolution and the Series 69 Resolution are on file at the office of RIHousing.

The execution and delivery of this Official Statement by the Manager of Treasury and Capital Planning have been duly authorized by RIHousing.

**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION**

/s/ THOMAS MCNULTY

Manager of Treasury and Capital Planning

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APPENDIX A

DESCRIPTION OF CERTAIN PRIMARY MORTGAGE INSURANCE, FEDERAL HOUSING PROGRAMS, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) AND THE GNMA SECURITIES, AND RHODE ISLAND MORTGAGE FORECLOSURE PROCEDURES

Private Mortgage Insurance

Each Mortgage Purchase Agreement requires that any private mortgage insurer of a Program Loan must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation (“FHLMC”) or Fannie Mae (“Fannie Mae”) and must be authorized to do business in the State. (Primary insurance coverage is not a requirement for mortgages with a loan to value ratio of seventy-eight percent (78%) or less).

In general, FHLMC eligibility requirements for approval of private mortgage insurers presently include certain basic criteria relating to the types of property securing insured mortgages, the risk/surplus ratio in areas of concentration, such as developments, and the geographic distribution of mortgages subject to policies issued by the insurer. The FHLMC has certain minimum financial standards for mortgage insurers, including requirements as to certain surplus and loss reserve accounts, types of assets held by the insurer, and the insurer’s general risk/surplus ratio.

Fannie Mae determines on an individual basis whether a private mortgage insurer is qualified for purposes of purchase of mortgages by Fannie Mae, weighing such general factors as the financial strength, expertise and experience of the insurer, the type of mortgages insured, the total liability of the insurer, and the types of benefits paid under each insurer’s policy. Fannie Mae also requires, before purchasing mortgages, that the insurer be authorized to transact insurance in the state where the property securing the mortgage is located.

Private insurers generally require an insured lender to give notice not later than fifteen (15) days after a borrower has failed to pay one full installment on his loan. Before presenting a claim, the insured mortgagee must acquire title to the property. When a claim (consisting of unpaid principal amount of the loan, accumulated interest through the date of the tender of conveyance of title to the mortgaged premises, real estate taxes, and hazard insurance premiums necessarily advanced by the insured and other necessary expenses including attorneys’ fees not exceeding three percent (3%) of principal and interest due) is presented, the insurer generally has the option of (i) paying a percentage of such claim, ranging from six percent (6%) to twenty percent (20%), depending upon the premium plan and coverage selected when the loan is originated, and allowing the mortgagee to retain title to the property or (ii) upon conveyance of marketable title to the property to the insurer, paying the claim in full.

Private mortgage insurance policies generally require that any physical damage or loss to the property be repaired or restored by the insured lender prior to the payment of a claim under such policy.

Privately insured mortgage loans purchased prior to May 25, 1995 were insured pursuant to coinsurance agreements (the “Insurance Agreements”) between RIHousing and Genworth, Mortgage Guaranty Insurance Corporation (“MGIC”), Commonwealth Mortgage Assurance Corporation (“CMAC”), PMI Mortgage Insurance Co. (“PMI”) and United Guaranty Insurance Company (“UGI”), respectively, pursuant to which RIHousing agreed to share the financial risk under the primary mortgage insurance policies provided by Genworth, MGIC, CMAC, PMI and UGI, respectively, to the extent set forth in the Insurance Agreements. Such obligations of RIHousing represent general obligations of RIHousing, and shall not be paid from the funds held under the Resolution. Notwithstanding the provisions of the Insurance Agreements, each such mortgage insurer shall at all times remain liable for all obligations under primary mortgage insurance policies issued by such mortgage insurer.

Many providers of private mortgage insurance, including the providers set forth above, are experiencing significant financial difficulties and have had their credit ratings downgraded or placed on watch for a future downgrade. RIHousing makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to RIHousing of claims on the Mortgage Loans on which RIHousing may experience losses.

Federal Housing Administration Insurance Program

Mortgages may be insured by the Federal Housing Administration (“FHA”) of the U.S. Department of Housing and Urban Development (“HUD”) pursuant to Section 203(b) of the National Housing Act of 1937, as amended, and the regulations promulgated thereunder at 24 C.F.R. Part 203. Such regulations provide that insurance benefits are payable only upon foreclosure (or other acquisition of possession and title) and conveyance of title to the mortgaged premises to the Secretary of Housing and Urban Development (“Secretary”). Assignment of a defaulted loan to FHA is no longer permitted, other than for those requests made prior to April 26, 1996. However, recently enacted loss mitigation options allow partial claim as a homeowner retention tool.

Home buyers under the Section 203(b) Program are required to pay an up-front mortgage insurance premium of 1.75% and annual premiums of up to 1.05%. The National Housing Act also requires that the principal amount of the mortgage loan not be in excess of 96.5% of the appraised value of the residence, plus the amount of the mortgage insurance premium paid at the time the mortgage is insured.

The National Housing Act regulations promulgated thereunder give discretionary authority to the Secretary to settle claims for insurance benefits in cash, in debentures or in a combination of both. The current FHA policy, subject to change at any time, is to make insurance payments in cash unless the mortgagee specifically requests payment in debentures. Debentures issued in satisfaction of an insurance claim have a term of 20 years, and bear interest at the HUD debenture interest rate in effect under the regulations as of the date of issuance of the insurance commitment, or of the initial endorsement of the mortgage note for insurance, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure or other acquisition of possession and conveyance of title to FHA, the insurance payment is computed as of the date of default by the mortgagor, and the mortgagee is compensated for the unpaid principal balance of the loan but generally not for mortgage interest accrued and unpaid prior to that date. The “date of default” is defined as 30 days after the first failure to make a monthly payment which has not been paid subsequently. Since monthly payments are regularly made 30 days in arrears, the mortgagee in collecting insurance benefits can expect to lose sixty days’ interest at the mortgage rate. Insurance benefits include interest at the debenture interest rate then in effect covering the period from default to the date of payment; thus, assuming the mortgage interest rate is greater, the mortgagee can also expect to lose the difference between the mortgage interest rate and the debenture interest rate during such period. If insurance benefits are paid in debentures rather than cash, the mortgagee could expect to lose such interest differential over a longer period of time. In addition, in the event the debentures are sold prior to the maturity date thereof, it is likely that the mortgagee could expect to lose a substantial portion of the principal amount thereof. Finally, the mortgagee can expect to lose certain out-of-pocket expenses of securing the property and certain of its foreclosure expenses.

When any property to be conveyed to the Secretary has been damaged by fire, earthquake, flood or tornado, it is required, as a condition to payment of an insurance claim, that such property be repaired prior to such conveyance. Property hazard insurance will be relied upon to protect RIHousing from such potential loss.

United States Department of Agriculture/Rural Development Guaranteed Rural Housing Loan Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program of the Farmers Home Administration (currently United States Department of

Agriculture/Rural Development “USDA/RD”) for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. Households with an Annual Income of one hundred fifteen percent (115%) of the area median income or less qualify.

The Guaranteed Rural Housing Loan Program is limited to certain rural areas of the State. The USDA/RD Program Loans will conform to the same maximum annual income limits and purchase price limits as all other Mortgage Loans purchased with the proceeds of Bonds.

The USDA/RD guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by RIHousing.

VA Guarantee

The Servicemen’s Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse and certain qualifying reservists) to obtain a mortgage loan guarantee from the Department of Veterans’ Administration (“VA”) covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates not in excess of the maximum rates established by VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years’ duration. The maximum VA mortgage loan guaranty under this program is the lesser of the veteran’s available entitlement or the maximum guaranty specified in the Servicemen’s Readjustment Act of 1944, as amended based on the type of housing unit and loan amount. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage holder will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee as adjusted. VA may, at its option and without regard to the guarantee, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to VA. Under the Homeownership Opportunity Program, a VA guaranteed Mortgage Loan must be guaranteed in an amount which, together with the down payment by the Mortgagor, will at least equal 30% of the lesser of the sales price or the appraised value of the property. Regulations recently adopted by the VA permit mortgage loans to be guaranteed by the VA even though they contain due on sale clauses enforceable in the event that such mortgage loan is assumed by a person who is not an eligible borrower. See **“HOMEOWNERSHIP OPPORTUNITY PROGRAM”** herein.

Government National Mortgage Association (GNMA) and the GNMA Securities

General. The summary of the Government National Mortgage Association (“GNMA”) Program, GNMA Securities and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Guide (copies of which may be obtained from GNMA at the Office of Mortgage Backed Securities, 451 Seventh Street, S.W., Washington, D.C. 20410) and to the GNMA Securities and other documents for full and complete statements of their provisions.

GNMA is a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development (“HUD”) whose principal office is located in Washington, D.C.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by trusts or pools composed of mortgage loans insured or guaranteed under the National Housing Act, Title V of the Housing Act of 1949, the Servicemen’s Readjustment Act, Chapter 37 of Title 38 of the United States Code or Section 184 of the Housing and Community Development Act of 1992 or guaranteed by the USDA/RD under

its guaranteed Single Family Rural Housing Program. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty by GNMA.”

There are two GNMA MBS programs, GNMA I and GNMA II. Any GNMA Security acquired pursuant to the Program will be a “fully modified pass through” security (guaranteed by GNMA pursuant to its GNMA I or GNMA II MBS program) which will require the servicer to pass through to the holder thereof the regular monthly payments on the underlying mortgage loans (less the service fees), whether or not the servicer receives such payments from the mortgagors on the underlying mortgage loans, plus any unscheduled recoveries of principal of the mortgage loans received by the servicer during the previous month. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Security. The Treasury Department is authorized to purchase any obligations so issued by GNMA and has indicated in a letter, dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD, that the Treasury Department will make loans to GNMA, if needed, to implement the aforementioned guaranty.

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

GNMA shall have no responsibility to determine whether or not the Program complies with the requirements of the Code or whether or not interest on the Series 69 Tax-Exempt Bonds may be exempt from federal income taxation. The payments due to the Trustee, as holder, pursuant to the terms of the GNMA Securities, will not change if the interest on the Series 69 Tax-Exempt Bonds for any reason is determined to be subject to federal income taxation.

Servicing of the Mortgages. RIHousing is fully responsible for the administration of the GNMA Securities and the servicing of the pooled mortgage loans. RIHousing is permitted to arrange for a subservicer (together with RIHousing, the “Servicer”) to perform some, but not all, of the required servicing functions on behalf of RIHousing; however, it is anticipated that RIHousing will serve as sole Servicer for the pooled mortgage loans. Under contractual agreements entered into by and between the Servicer and GNMA, the Servicer is responsible for servicing and otherwise administering the mortgage loans underlying the GNMA Securities in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer’s Guide (the “GNMA Guide”).

The monthly remuneration of the Servicer, for its servicing and administrative functions, and the guaranty fee charged by GNMA are based on the unpaid principal amount of the GNMA Securities outstanding. The GNMA Securities carry an interest rate that is below the interest rate on the underlying mortgage loans (after taking into account the servicing and guaranty fees which are deducted from payments on the mortgage loans before payments are passed through to the holder of the GNMA Security).

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

The Servicer is required to advise GNMA in advance of any impending or actual default on scheduled payments so that GNMA, as guarantor, will be able to continue such payments as scheduled on the applicable payment date. If, however, such payments are not received as scheduled, the holder has recourse directly to GNMA.

Default by Servicer. In the event of a default by the Servicer, GNMA shall have the right, by letter to the Servicer, to effect and complete the extinguishment of the Servicer's interest in the mortgage loans underlying the GNMA Securities, and such mortgage loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA Security. In such event, GNMA will be the successor in all respects to the Servicer with respect to the transaction and the agreements set forth or arranged for in the GNMA Guide.

Payment of Principal and Interest on the GNMA Securities. Under the GNMA I Program, the servicer makes separate payments, by the fifteenth day of each month, directly to each owner of GNMA Securities for each of the GNMA Securities held.

Payment of principal of each GNMA I Security and GNMA II Security is expected to commence on the fifteenth and twentieth day of the month, respectively, following issuance of such GNMA Security.

Each installment on a GNMA Security is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Security. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Security. The amount of principal due on the GNMA Security shall be in an amount at least equal to the scheduled principal amortization currently due on the mortgage loans. However, payment of principal and interest is to be adjustable as set forth below.

Each of the monthly installments on a GNMA Security is subject to adjustment by reason of any prepayments or other unscheduled recoveries of principal on the underlying mortgage loans. In any event, the servicer will pay to the holder of the GNMA Security monthly installments of not less than the interest due on the GNMA Security at the rate specified in the GNMA Security, together with any scheduled installments of principal, whether or not such interest or principal is collected from the mortgagors, and any prepayments or unscheduled recovery of principal. Final payment shall be made upon surrender of the outstanding GNMA Security.

Rhode Island Mortgage Foreclosure Procedures

All Mortgage Lenders originating Program Loans secured by mortgages will use a form of note and mortgage prescribed by RIHousing. Upon the occurrence of a default and no less than forty-five (45) days prior to initiating a sale of real estate under a power of sale mortgage, as set forth in Section 34-27-4 of the General Laws of Rhode Island, 1956 as amended (1995 Reenactment), the servicing Mortgage Lender must mail to the mortgagor written notice of default and the Mortgage Lender's right to foreclose. Additionally, such notice must advise the mortgagor of the availability of HUD-approved mortgage counseling services in Rhode Island.

If the breach is not cured within such period, the Mortgage Lender may invoke the statutory power of sale, which is defined in Section 34-11-22 of the General Laws of Rhode Island, 1956 as amended (1995 Reenactment). Under the statutory power of sale, the Mortgage Lender is authorized to conduct a public sale of the mortgaged property at the time and place stated in a notice of sale if the breach is not cured prior to the date specified in the notice. The notice must be published in a public daily newspaper in the city where the property is located once a week for three (3) successive weeks with the first publication being at least twenty-one (21) days before the sale. In addition, such notice of sale must be delivered to the mortgagor at his or her last known address by certified mail, return receipt requested, no less than thirty (30) days before the date of first publication.

At the sale, the Mortgage Lender may bid on its own account in the same manner as any other person.

Although Rhode Island statutes do not prescribe the terms of sale, the successful bidder in a residential foreclosure is typically required to put between 5 and 10% down at the time of the auction and pay the balance of the purchase price within thirty (30) days. If the successful bidder defaults, the Mortgage Lender could sue for specific performance, however, the Mortgage Lender usually keeps the down payment as proceeds of foreclosure activity to be applied towards satisfaction of the total debt and advertises again for another sale. At the auction, a memorandum setting forth such terms of sale is read prior thereto and signed by the successful bidder.

While it is theoretically possible to complete a foreclosure sale within approximately fourteen (14) weeks after the Mortgage Lender first notifies the borrower of any event of default, a variety of factors will likely cause such time period to be extended. These factors include requirements under applicable mortgage insurance policies, the internal practices and policies of the Mortgage Lender relating to residential foreclosures, any attempts by the borrower to block the foreclosure sale, statutory or constitutionally required administrative procedures and the time given by the Mortgage Lender to a successful bidder to consummate the foreclosure.

The foregoing description of certain programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs, reference is made to the provisions of the contracts embodied in the regulations of the FHA and the VA, respectively, and of the regulations, master insurance contracts and other information concerning various private mortgage insurers.

APPENDIX B

PARTICIPATING MORTGAGE LENDERS[†]

Accustrust Mortgage
Anchor Financial Mortgage, Inc.
Atlantic Home Loans
BankFive
Bank Newport
Bank of England
BayCoast Mortgage Company, LLC
Centreville Bank
Citizens Bank
Coastway Community Bank
CrossCountry Mortgage
Embrace Home Loans
Envoy Mortgage, Ltd.
Fairway Independent Mortgage
First Home Mortgage Corporation
Freedom Mortgage
HomeBridge Financial Services
Home Loan Investment Bank
Home Point Financial
Homestar Mortgage
Loan Depot, LLC
Mortgage Network, Inc.
Movement Mortgage
Norcom Mortgage
Northpoint Mortgage, Inc.
Prime Lending
Primary Residential Mortgage, Inc.
Province Mortgage Associates, Inc.
Residential Mortgage Services
Santander Bank
Seacoast Mortgage
Semper Home Loans
Shamrock Financial Corporation
Sierra Pacific Mortgage Company, Inc.
Supreme Lending
The Washington Trust Company^{††}

[†] Certain mortgage lenders and servicers may use their affiliates to originate or service Program Obligations under the Homeownership Opportunity Program. RIHousing may include additional financial institutions as mortgage lenders and servicers under such program. RIHousing currently is servicing approximately 99% of the Mortgage Loans under the Homeownership Opportunity Program.

^{††} Also acting as a Servicer under the Homeownership Opportunity Program.

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APPENDIX C-1

**AUDITED FINANCIAL STATEMENTS OF RIHOUSING
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE
OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
For the Years Ended June 30, 2017 and 2016**

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
Years Ended June 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Rhode Island Housing and Mortgage Finance Corporation
Providence, Rhode Island

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing"), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Rhode Island Housing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the the business-type activities and the aggregate discretely presented component unit of Rhode Island Housing as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

2016 Financials

Rhode Island Housing's basic financial statements as of and for the year ended June 30, 2016, were audited by other auditors whose report dated September 29, 2016, expressed unmodified opinions on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis presented on pages 4 through 9 and the Schedule of Funding Progress presented on page 55 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the 2017 financial statements that collectively comprise Rhode Island Housing's basic financial statements. The 2017 combining information on pages 56 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2016 supplementary information on pages 56 through 65 was subjected to the auditing procedures applied in the 2016 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 basic financial statements as a whole.


CITRIN COOPERMAN COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
October 10, 2017

Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordable Housing Trust Fund (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2017 and 2016, and for the years then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the years ended June 30, 2017 and 2016, increased (decreased) from the previous year as follows:

	2017		2016	
	\$	%	\$	%
Mortgage loans, gross	35.0	2.2	(10.2)	(0.6)
Investments	(38.8)	(17.7)	(14.5)	(6.2)
Cash and cash equivalents	68.2	36.3	12.2	6.9
Total assets	60.5	3.0	(19.4)	(1.0)
Bonds and notes payable	10.0	0.8	(26.9)	(2.0)
Total net position	12.8	4.2	7.0	2.4
Total revenues	(3.3)	(2.8)	10.5	9.8
Total expenses	(9.1)	(8.2)	5.4	5.2
Operating income	5.7	81.8	5.1	255.9

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$36.6 million. Multi-family new loan production increased by \$9.5 million and Operating Fund loans increased by \$62.0 million due mainly to an increase in multi-family loans in the operating fund.

Bonds and notes payable, the largest component of liabilities, increased by \$10.0 million in 2017. This increase is related to issuance of new bonds to finance both single-family and multi-family mortgages, net with current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Corporation's assets, liabilities, deferred inflows and outflows of resources, and net position. Over time, increases or decreases in the Corporation's net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the year.

All assets, liabilities, deferred inflows and outflows of resources, and changes in net position are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

The Affordable Housing Trust Fund (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following tables summarize the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the Years Ended June 30, 2017 and 2016 (in thousands)			
	2017	2016	% Change
Revenues:			
Interest income on loans	\$ 69,861	\$ 69,276	0.8
Earnings on investments	5,749	6,109	(5.9)
Gain on sale of loans	11,367	12,206	(6.9)
Grant revenue	17,438	18,622	(6.4)
Other	12,983	11,767	10.3
Total revenues	<u>117,398</u>	<u>117,980</u>	<u>(0.5)</u>
Expenses:			
Interest expense	40,756	43,993	(7.4)
Provision for loan losses	368	8,584	(95.7)
REO expenditures	2,741	2,129	28.8
Bond issuance costs	1,634	1,528	6.9
Operating expenses	28,655	24,123	18.8
Grant expense	16,511	18,220	(9.4)
Other expenses	10,821	11,962	(9.5)
Total expenses	<u>101,486</u>	<u>110,539</u>	<u>(8.2)</u>
Operating income, before adjusting investments to fair value	<u>\$ 15,912</u>	<u>\$ 7,441</u>	<u>113.8 %</u>

For the Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015	% Change
Revenues:			
Interest income on loans	\$ 69,276	\$ 71,503	(3.1)
Earnings on investments	6,109	7,493	(18.5)
Gain on sale of loans	12,206	7,442	64.0
Grant revenue	18,622	12,838	45.1
Other	11,767	10,625	10.7
Total revenues	<u>117,980</u>	<u>109,901</u>	<u>7.4</u>
Expenses:			
Interest expense	43,993	47,639	(7.7)
Provision for loan losses	8,584	11,126	(22.8)
REO expenditures	2,129	4,070	(47.7)
Bond issuance costs	1,528	866	76.6
Operating expenses	24,123	21,484	12.3
Grant expense	18,220	12,079	50.8
Other	11,962	7,828	52.8
Total expenses	<u>110,539</u>	<u>105,092</u>	<u>5.2</u>
Operating income, before adjusting investments to fair value	<u>\$ 7,441</u>	<u>\$ 4,809</u>	<u>54.8 %</u>

Operating income, after adjusting investments to fair value, was \$12.8 million for the year ended June 30, 2017 (2017), \$7.0 million for the year ended June 30, 2016 (2016) and \$2.0 million for the year ended June 30, 2015 (2015). GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$3.1 million in 2017 compared to a decrease in operating income of \$0.4 million in 2016, and a decrease of \$2.8 million in 2015. Operating income, excluding the unrealized gains and losses on investments, increased 113.8% in 2017 to \$15.9 million from \$7.4 million in 2016 which had increased from \$4.8 million in 2015. The 2017 increase is primarily due to a decrease in provisions for loan losses and a decrease in interest expense.

Gain on sale of loans was \$11.4 million for the year ended June 30, 2017, \$12.2 million for the year ended June 30, 2016 and \$7.4 million for the year ended June 30, 2015. The 2017 decrease is a result of changes in market conditions.

Other revenue, which has been relatively consistent from year to year, consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$28.7 million for the year ended June 30, 2017, an increase of 18.8% from \$24.1 million for the year ended June 30, 2016, which had increased 12.3% from \$21.5 million in 2015.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses increased 28.8% to \$2.7 million for the year ended June 30, 2017, from \$2.1 million in 2016, which had decreased 47.7% from \$4.1 million in 2015. The increase in 2017 is due primarily to a slight increase in the amount of time properties are held prior to sale.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income increased to \$34.9 million from \$31.4 million in 2016. Net interest income remained consistent at \$31.4 million between 2016 and 2015. Earnings on investments decreased \$0.4 million in 2017 after a decrease of \$1.4 million in 2016. Net interest income as a percentage of average bonds and notes payable was 2.62% in 2017 and 2.34% in 2016, respectively. Interest income on loans as a percentage of total loans remained flat at 4.34%, while interest expense on bonds and notes decreased to 3.06% from 3.28% in 2016. This caused a total increase in the spread margin (i.e., differential between loans and bonds) to 1.28% in 2017 from 1.00% in 2016. This is the result of various bond refundings and continued lower rates on new loans.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual of interest income for that loan is ceased and any previous accrued interest income is reversed. The Corporation will commence accruing interest income on such loans once the loans are made current.

The provision for loan losses decreased to \$0.4 million in 2017 from \$8.6 million in 2016 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation. For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites, an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation's financial position:

June 30, 2017 and 2016 (in millions)			
	2017	2016	% Change
Loans receivable, net	\$ 1,592	\$ 1,554	2.4%
Investments	180	219	(17.7)
Cash and cash equivalents	256	188	36.3
Other assets	35	42	(15.2)
Total assets	2,063	2,003	3.0
Deferred outflows of resources	3	3	0.0
Bonds and notes payable	1,337	1,327	0.8
Other liabilities	416	379	9.9
Total liabilities	1,753	1,706	2.8
Net position:			
Net investment in capital assets	9	9	6.9
Restricted	204	212	(3.8)
Unrestricted	100	80	25.4

June 30, 2016 and 2015 (in millions)			
	2016	2015	% Change
Loans receivable, net	\$ 1,554	\$ 1,569	(0.9)%
Investments	219	234	(6.2)
Cash and cash equivalents	188	176	6.9
Other assets	42	44	(6.4)
Total assets	2,003	2,023	(1.0)
Deferred outflows of resources	3	1	200.0
Bonds and notes payable	1,327	1,353	(2.0)
Other liabilities	379	377	0.6
Total liabilities	1,706	1,730	(1.4)
Net position:			
Net investment in capital assets	9	8	6.3
Restricted	212	196	8.1
Unrestricted	80	90	(10.6)

During the year ended June 30, 2017, total assets of the Corporation increased 3.0% from 2016, as compared to a 1.0% decrease in 2016 from 2015. Net loans receivable increased \$38.0 million, or 2.4%, from the previous year. This increase in loans is attributable to an increase in multi-family loans in the operating fund net of a decrease in single-family loans attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby the majority of new loans are sold. Bonds and notes payable totaled \$1.3 billion as

of June 30, 2017, an increase of \$10.0 million, or 0.8%, from June 30, 2016, which had decreased \$27.0 million or 2.0% from June 30, 2015.

During 2017, the Corporation issued \$193.1 million to refund existing single-family bonds as well as to finance new loan production, and \$39.3 million to refund existing multi-family bonds as well as to finance new loan production. In addition, \$227.2 million of single-family bonds and \$44.5 million of multi-family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

As of June 30, 2017 and June 30, 2016, the net position-to-asset ratio was 15.2% and 15.0% while the loan-to-asset ratio was 77.1% and 77.6%, respectively. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2017 and 2016, single-family residential mortgages in bond resolutions totaled \$679.0 million and \$716.0 million, respectively, and multi-family loans in bond resolutions totaled \$480.1 million and \$471.0 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities or in guaranteed investment contracts with providers.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island has a direct impact on the Corporation's delinquency experience within its portfolio. The Rhode Island unemployment rate decreased in 2017 to 4.2% from 5.5% in 2016. The Corporation has, however, experienced an increase in its 90+ delinquency rate to 2.12% in 2017 from 1.80% in 2016, as many of its borrowers are still underemployed.

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rhodeislandhousing.org.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2017 and 2016

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets				
Loans receivable	\$ 427,090,669	\$ 371,383,923	\$ 679,395,792	\$ 715,972,529
Less allowance for loan losses	(25,500,000)	(27,000,000)	(10,000,000)	(11,000,000)
Loans receivable, net	<u>401,590,669</u>	<u>344,383,923</u>	<u>669,395,792</u>	<u>704,972,529</u>
Loans held for sale	40,937,300	34,582,134	-	-
Investments	96,825,602	97,475,827	78,245,757	97,734,139
Accrued interest-loans	936,580	482,839	2,296,920	2,511,414
Accrued interest-investments	22,135	20,004	289,741	343,561
Cash and cash equivalents	119,693,540	65,766,246	81,063,424	63,693,596
Accounts receivable, net	11,264,701	13,339,567	-	-
Other assets, net	14,878,890	12,374,705	3,487,352	10,531,558
Interfund receivable (payable)	(18,597)	2,706,637	18,597	(106,637)
Total assets	<u>686,130,820</u>	<u>571,131,882</u>	<u>834,797,583</u>	<u>879,680,160</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	4,757	5,014
Hedging instruments	2,719,223	2,896,945	-	-
Total deferred outflows of resources	<u>2,719,223</u>	<u>2,896,945</u>	<u>4,757</u>	<u>5,014</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 688,850,043</u>	<u>\$ 574,028,827</u>	<u>\$ 834,802,340</u>	<u>\$ 879,685,174</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 171,542,249	\$ 114,716,568	\$ 692,389,728	\$ 741,966,916
Accrued interest payable on bonds and notes	209,327	204,319	5,609,896	6,335,039
Accounts payable and accrued liabilities	8,570,834	7,406,435	-	-
Fees, net	1,308,290	1,272,617	166,467	188,415
Escrow deposits	393,742,657	356,195,147	-	-
Total liabilities	<u>575,373,357</u>	<u>479,795,086</u>	<u>698,166,091</u>	<u>748,490,370</u>
Net Position				
Net investment in capital assets	9,298,304	8,701,438	-	-
Restricted by bond resolutions	4,100,324	5,710,537	136,636,249	131,194,804
Unrestricted	100,078,058	79,821,766	-	-
Total net position	<u>113,476,686</u>	<u>94,233,741</u>	<u>136,636,249</u>	<u>131,194,804</u>
Total Liabilities and Net Position	<u>\$ 688,850,043</u>	<u>\$ 574,028,827</u>	<u>\$ 834,802,340</u>	<u>\$ 879,685,174</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2017 and 2016

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets				
Loans receivable	\$ 480,068,176	\$ 470,552,069	\$ 1,586,554,637	\$ 1,557,908,521
Less allowance for loan losses	-	-	(35,500,000)	(38,000,000)
Loans receivable, net	<u>480,068,176</u>	<u>470,552,069</u>	<u>1,551,054,637</u>	<u>1,519,908,521</u>
Loans held for sale	-	-	40,937,300	34,582,134
Investments	5,267,085	23,938,473	180,338,444	219,148,439
Accrued interest-loans	2,154,134	2,100,042	5,387,634	5,094,295
Accrued interest-investments	99,018	79,852	410,894	443,417
Cash and cash equivalents	55,439,122	58,526,796	256,196,086	187,986,638
Accounts receivable, net	-	-	11,264,701	13,339,567
Other assets, net	-	-	18,366,242	22,906,263
Interfund receivable (payable)	-	(2,600,000)	-	-
Total assets	<u>543,027,535</u>	<u>552,597,232</u>	<u>2,063,955,938</u>	<u>2,003,409,274</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	4,757	5,014
Hedging instruments	-	-	2,719,223	2,896,945
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>2,723,980</u>	<u>2,901,959</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 543,027,535</u>	<u>\$ 552,597,232</u>	<u>\$ 2,066,679,918</u>	<u>\$ 2,006,311,233</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 472,606,180	\$ 469,878,570	\$ 1,336,538,157	\$ 1,326,562,054
Accrued interest payable on bonds and notes	2,891,049	3,307,315	8,710,272	9,846,673
Accounts payable and accrued liabilities	167,102	516,028	8,737,936	7,922,463
Fees, net	-	-	1,474,757	1,461,032
Escrow deposits	4,104,838	3,722,587	397,847,495	359,917,734
Total liabilities	<u>479,769,169</u>	<u>477,424,500</u>	<u>1,753,308,617</u>	<u>1,705,709,956</u>
Net Position				
Net investment in capital assets	-	-	9,298,304	8,701,438
Restricted by bond resolutions	63,258,366	75,172,732	203,994,939	212,078,073
Unrestricted	-	-	100,078,058	79,821,766
Total net position	<u>63,258,366</u>	<u>75,172,732</u>	<u>313,371,301</u>	<u>300,601,277</u>
Total Liabilities and Net Position	<u>\$ 543,027,535</u>	<u>\$ 552,597,232</u>	<u>\$ 2,066,679,918</u>	<u>\$ 2,006,311,233</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	Operating Fund		Single-Family Fund	
	2017	2016	2017	2016
Operating revenues:				
Interest Income on loans	\$ 9,149,553	\$ 6,724,791	\$ 31,165,809	\$ 33,597,236
Interest income attributable to internal servicing activities	3,885,299	3,301,724	-	-
Total interest income on loans	13,034,852	10,026,515	31,165,809	33,597,236
Income on investments:				
Earnings on investments	286,000	375,140	3,811,870	4,233,095
Net decrease in fair value of investments	(154,564)	(9,872)	(2,674,738)	(354,118)
Fees	11,634,786	11,132,620	-	-
Servicing fee income	1,258,039	613,081	-	-
Grant revenue	17,438,248	18,622,423	-	-
Miscellaneous income	90,567	21,367	-	-
Gain on sale of loans	11,366,570	12,206,262	-	-
Total operating revenues	54,954,498	52,987,536	32,302,941	37,476,213
Operating expenses:				
Interest expense	3,575,566	2,045,622	22,906,488	28,363,548
Personnel services	19,197,144	17,499,051	-	-
Other administrative expenses	7,821,291	5,126,784	-	-
Housing initiatives	3,597,841	5,558,056	-	939
Provision for loan losses	305,379	2,383,914	62,706	6,200,000
REO expenditures	1,956,627	1,056,860	784,606	1,071,698
Bad debt expense	50,597	599,044	-	-
Arbitrage rebate	(53,303)	-	-	(181,723)
Bond issuance costs	102,030	-	1,300,895	1,236,681
Depreciation and amortization of other assets	1,569,898	1,416,988	7,344	9,514
Loan costs	6,378,210	4,763,923	257	257
State Rental Subsidy Program	382,256	606,237	-	-
Grant expense	16,510,896	18,219,709	-	-
Total operating expenses	61,394,432	59,276,188	25,062,296	36,700,914
Operating income (loss)	(6,439,934)	(6,288,652)	7,240,645	775,299
Transfers in (out)	25,682,879	(1,654,105)	(1,799,200)	1,438,995
Total change in net position	19,242,945	(7,942,757)	5,441,445	2,214,294
Net position, beginning of year	94,233,741	102,176,498	131,194,804	128,980,510
Net position, end of year	<u>\$ 113,476,686</u>	<u>\$ 94,233,741</u>	<u>\$ 136,636,249</u>	<u>\$ 131,194,804</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	Multi-Family Fund		Total	
	2017	2016	2017	2016
Operating revenues:				
Interest Income on loans	\$ 25,659,965	\$ 25,652,560	\$ 65,975,327	\$ 65,974,587
Interest income attributable to internal servicing activities	-	-	3,885,299	3,301,724
Total interest income on loans	25,659,965	25,652,560	69,860,626	69,276,311
Income on investments:				
Earnings on investments	1,650,844	1,500,692	5,748,714	6,108,927
Net decrease in fair value of investments	(312,435)	(53,336)	(3,141,737)	(417,326)
Fees	-	-	11,634,786	11,132,620
Servicing fee income	-	-	1,258,039	613,081
Grant revenue	-	-	17,438,248	18,622,423
Miscellaneous income	-	-	90,567	21,367
Gain on sale of loans	-	-	11,366,570	12,206,262
Total operating revenues	26,998,374	27,099,916	114,255,813	117,563,665
Operating expenses:				
Interest expense	14,273,869	13,583,927	40,755,923	43,993,097
Personnel services	-	-	19,197,144	17,499,051
Other administrative expenses	59,795	70,455	7,881,086	5,197,239
Housing initiatives	-	-	3,597,841	5,558,995
Provision for loan losses	-	-	368,085	8,583,914
REO expenditures	-	-	2,741,233	2,128,558
Bad debt expense	-	-	50,597	599,044
Arbitrage rebate	(348,926)	(217,924)	(402,229)	(399,647)
Bond issuance costs	231,000	291,780	1,633,925	1,528,461
Depreciation and amortization of other assets	-	-	1,577,242	1,426,502
Loan costs	813,323	833,483	7,191,790	5,597,663
State Rental Subsidy Program	-	-	382,256	606,237
Grant expense	-	-	16,510,896	18,219,709
Total operating expenses	15,029,061	14,561,721	101,485,789	110,538,823
Operating income (loss)	11,969,313	12,538,195	12,770,024	7,024,842
Transfers in (out)	(23,883,679)	215,110	-	-
Total change in net position	(11,914,366)	12,753,305	12,770,024	7,024,842
Net position, beginning of year	75,172,732	62,419,427	300,601,277	293,576,435
Net position, end of year	<u>\$ 63,258,366</u>	<u>\$ 75,172,732</u>	<u>\$ 313,371,301</u>	<u>\$ 300,601,277</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	Operating Fund		Single-Family Fund	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 12,581,111	\$ 9,992,855	\$ 31,380,303	\$ 33,825,282
Repayment of loans receivable	311,316,305	64,322,997	86,366,232	79,822,706
Fees collected	12,928,497	11,593,561	(21,948)	(20,709)
Other receipts (disbursements), net	38,565,429	11,028,392	-	-
Loans disbursed	(373,378,216)	(90,338,223)	(49,789,494)	(26,801,284)
Accounts receivable, net	2,074,866	60,379	-	-
Loss on accounts receivable	(50,597)	(599,044)	-	-
Loss on loans receivable	(1,805,379)	3,116,086	(1,062,706)	(7,700,000)
Loss on REO properties	(1,956,627)	(1,056,860)	(784,606)	(1,071,698)
Bond issuance costs	(102,030)	-	(1,300,895)	(1,236,681)
Personnel services	(19,197,144)	(17,499,051)	-	-
Other administrative expenses	(7,932,478)	(5,354,694)	-	-
Housing initiative expenses	(3,486,654)	(5,330,146)	-	(939)
Other assets	(4,074,083)	(3,709,942)	7,036,863	4,806,410
Arbitrage rebate	53,303	-	-	181,723
Accounts payable and accrued liabilities	1,164,398	(345,896)	-	(181,723)
Gain on sale of loans	5,166,083	5,783,129	-	-
State Rental Subsidy Program	(382,256)	(606,237)	-	-
Transfers from (to) other programs	28,408,113	(183,637)	(1,924,434)	1,668,527
Net cash provided by (used for) operating activities	(107,359)	(19,126,331)	69,899,315	83,291,614
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	369,416,000	346,620,000	196,005,878	134,008,014
Payment of bond and note principal	(312,590,319)	(316,175,552)	(245,583,067)	(213,545,734)
Interest paid on bonds and notes	(3,570,557)	(1,966,212)	(23,631,633)	(29,427,943)
Net cash provided by (used for) noncapital financing activities	53,255,124	28,478,236	(73,208,822)	(108,965,663)
Cash Flows from Investing Activities:				
Redemption of investments	185,210,346	157,714,056	16,813,644	15,634,360
Earnings on investments	283,869	375,385	3,865,691	4,287,304
Purchase of investments	(184,714,686)	(157,213,849)	-	(2,090,996)
Net cash provided by (used for) investing activities	779,529	875,592	20,679,335	17,830,668
Net Increase (Decrease) in Cash and Cash Equivalents	53,927,294	10,227,497	17,369,828	(7,843,381)
Cash and Cash Equivalents, beginning of year	65,766,246	55,538,749	63,693,596	71,536,977
Cash and Cash Equivalents, end of year	\$ 119,693,540	\$ 65,766,246	\$ 81,063,424	\$ 63,693,596

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 25,605,873	\$ 25,661,913	\$ 69,567,287	\$ 69,480,050
Repayment of loans receivable	26,029,200	14,884,992	423,711,737	159,030,695
Fees collected	-	-	12,906,549	11,572,852
Other receipts (disbursements), net	382,250	(6,667,613)	38,947,679	4,360,779
Loans disbursed	(35,545,308)	(31,677,899)	(458,713,018)	(148,817,406)
Accounts receivable, net	-	39,277	2,074,866	99,656
Loss on accounts receivable	-	-	(50,597)	(599,044)
Loss on loans receivable	-	-	(2,868,085)	(4,583,914)
Loss on REO properties	-	-	(2,741,233)	(2,128,558)
Bond issuance costs	(231,000)	(291,780)	(1,633,925)	(1,528,461)
Personnel services	-	-	(19,197,144)	(17,499,051)
Other administrative expenses	(59,795)	(70,455)	(7,992,273)	(5,425,149)
Housing initiative expenses	-	-	(3,486,654)	(5,331,085)
Other assets	-	-	2,962,780	1,096,468
Arbitrage rebate	348,926	217,924	402,229	399,647
Accounts payable and accrued liabilities	(348,926)	(327,548)	815,472	(855,167)
Gain on sale of loans	(813,323)	(833,483)	4,352,760	4,949,646
State Rental Subsidy Program	-	-	(382,256)	(606,237)
Transfers from (to) other programs	(26,483,679)	(1,484,890)	-	-
Net cash provided by (used for) operating activities	(11,115,782)	(549,562)	58,676,174	63,615,721
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	59,630,766	62,456,119	625,052,644	543,084,133
Payment of bond and note principal	(56,903,155)	(40,293,789)	(615,076,541)	(570,015,075)
Interest paid on bonds and notes	(14,690,135)	(13,351,953)	(41,892,325)	(44,746,108)
Net cash provided by (used for) noncapital financing activities	(11,962,524)	8,810,377	(31,916,222)	(71,677,050)
Cash Flows from Investing Activities:				
Redemption of investments	18,390,843	1,750,185	220,414,833	175,098,601
Earnings on investments	1,631,680	1,494,872	5,781,240	6,157,561
Purchase of investments	(31,891)	(1,739,526)	(184,746,577)	(161,044,371)
Net cash provided by (used for) investing activities	19,990,632	1,505,531	41,449,496	20,211,791
Net Increase (Decrease) in Cash and Cash Equivalents	(3,087,674)	9,766,346	68,209,448	12,150,462
Cash and Cash Equivalents, beginning of year	58,526,796	48,760,450	187,986,638	175,836,176
Cash and Cash Equivalents, end of year	<u>\$ 55,439,122</u>	<u>\$ 58,526,796</u>	<u>\$ 256,196,086</u>	<u>\$ 187,986,638</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,439,934)	\$ (6,288,652)	\$ 7,240,645	\$ 775,299
Adjustments:				
Earnings on investments	(283,869)	(375,385)	(3,865,691)	(4,287,304)
Net (increase) decrease in fair value of investments	154,564	9,872	2,674,738	354,118
Interest paid on bonds and notes	3,570,557	1,966,212	23,631,633	29,427,943
Transfer of investments and/or net position	25,682,879	(1,654,105)	(1,799,200)	1,438,995
(Increase) decrease in assets:				
Loans receivable/loss allowance	(63,561,912)	(20,515,226)	35,576,737	51,521,422
Accrued interest-loans	(453,741)	(33,660)	214,494	228,046
Accrued interest-investments	(2,131)	245	53,820	54,209
Accounts receivable, net	2,074,866	60,379	-	-
Bond issuance costs	-	-	-	-
Other assets	(2,504,184)	(2,292,955)	7,044,207	4,815,924
Interfund receivable (payable)	2,725,234	1,470,468	(125,234)	229,532
(Increase) decrease in deferred outflows	177,722	(1,659,210)	257	257
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	5,008	79,410	(725,143)	(1,064,396)
Accounts payable/accrued liabilities	1,164,399	(345,896)	-	(181,722)
Fees, net	35,673	(152,139)	(21,948)	(20,709)
Escrow deposits	37,547,510	10,604,311	-	-
Total adjustments	6,332,575	(12,837,679)	62,658,670	82,516,315
Net cash provided by (used for) operating activities	\$ (107,359)	\$ (19,126,331)	\$ 69,899,315	\$ 83,291,614

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 11,969,313	\$ 12,538,195	\$ 12,770,024	\$ 7,024,842
Adjustments:				
Earnings on investments	(1,631,680)	(1,494,872)	(5,781,240)	(6,157,561)
Net (increase) decrease in fair value of investments	312,435	53,336	3,141,737	417,326
Interest paid on bonds and notes	14,690,135	13,351,953	41,892,325	44,746,108
Transfer of investments and/or net position	(23,883,679)	215,110	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(9,516,107)	(16,792,905)	(37,501,282)	14,213,291
Accrued interest-loans	(54,092)	9,353	(293,339)	203,739
Accrued interest-investments	(19,166)	(5,821)	32,523	48,633
Accounts receivable, net	-	39,277	2,074,866	99,656
Bond issuance costs	-	-	-	-
Other assets	-	-	4,540,023	2,522,969
Interfund receivable (payable)	(2,600,000)	(1,700,000)	-	-
(Increase) decrease in deferred outflows	-	-	177,979	(1,658,953)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	(416,266)	231,974	(1,136,401)	(753,012)
Accounts payable/accrued liabilities	(348,926)	(327,548)	815,473	(855,166)
Fees, net	-	-	13,725	(172,848)
Escrow deposits	382,251	(6,667,614)	37,929,761	3,936,697
Total adjustments	(23,085,095)	(13,087,757)	45,906,150	56,590,879
Net cash provided by (used for) operating activities	\$ (11,115,782)	\$ (549,562)	\$ 58,676,174	\$ 63,615,721

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Position - Private Purpose Trust Component Unit
June 30, 2017 and 2016

	2017	2016
Assets		
Loans receivable	\$ 55,790,234	\$ 55,911,802
Less allowance for loan losses	(5,504,813)	(5,993,516)
Loans receivable, net	50,285,421	49,918,286
Investments	53,186	55,882
Accrued interest-loans	166,509	168,639
Accrued interest-investments	303	320
Cash and cash equivalents	32,093,438	27,029,899
Accounts receivable, net	102,930	134,841
Other assets, net	474,256	1,220,183
Total Assets	\$ 83,176,043	\$ 78,528,050
Liabilities and Net Position		
Liabilities		
Accounts payable and accrued liabilities	\$ 27,067	\$ 99,891
Total liabilities	27,067	99,891
Net Position		
Held in trust	83,148,976	78,428,159
Total Liabilities and Net Position	\$ 83,176,043	\$ 78,528,050

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues:		
Interest income on loans	\$ 2,998,127	\$ 2,736,908
Earnings on investments:		
Interest on investments	113,001	26,158
Net increase (decrease) in fair value of investments	248	(145)
Trust receipts	1,202,824	662,003
Total revenues	4,314,200	3,424,924
Expenses:		
Other administrative expenses	27,067	27,278
Provision for loan losses (recoveries)	(433,684)	1,215,692
Total expenses (income)	(406,617)	1,242,970
Total change in net position	4,720,817	2,181,954
Net position, beginning of year	78,428,159	76,246,205
Net position, end of year	\$ 83,148,976	\$ 78,428,159

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordable Housing Trust Fund (the "Trust") is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined based on appointment by a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordable Housing Trust Fund

The Affordable Housing Trust Fund (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

c. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2017 and 2016

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements. Transfers between funds are made to cover the operating costs associated with management of bond resolutions. Transfers also consist of reimbursement of collateral for bond resolutions previously funded by the operating fund.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Corporation has presented an unclassified combining statement of net position in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable by the Corporation within one year from the date of the combining statement of net position, the actual principal amount of loans received and the actual principal amount repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
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The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made per contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Such loans are presented as loans held for sale on the accompanying statement of net position. Gains and losses for sales of loans are recognized based upon the difference between the fair value of mortgage-backed securities forward contracts at date of commitment and the carrying value of the underlying loans.

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e. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less are considered cash and cash equivalents.

f. Investments

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.

In accordance with GASB Statement No. 31 (GASB 31), money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost if the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for tax-exempt bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying statement of net position and recorded within operating expenses in the statement of revenues, expenses and changes in net position.

g. Bond Issuance Costs, Premiums, Discounts and Early Retirements

In accordance with GASB Statement No. 65, costs associated with issuing bonds are reported in the combining statement of revenues, expenses and changes in net position in the year the bond is issued. In addition, when refinancing debt, the costs associated with the refinanced bond are also reported in the combining statement of revenues, expenses and changes in net position in the year in which the bond is refinanced.

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Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Any premium paid on the call related to the early retirement of bonds that are not refunded is reported in the combining statement of revenues, expenses and changes in net position.

h. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation depreciates property and equipment on a straight-line basis over the assets' estimated lives, which range from 3-40 years.

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value less the cost to sell. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund is at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Carrying costs relating to other real estate owned are recorded in the Operating Fund.

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At June 30, 2017 and 2016, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at June 30, 2017 or June 30, 2016.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statements of net position either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The difference between the notional amount and fair value of the derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Corporation's combining statements of net position. The Corporation currently has one type of derivative instrument outstanding: mortgage-backed security forward contracts.

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j. Net Position

Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any. Restricted net position consists of restricted assets that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments, or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets. Unrestricted net position consists of amounts not included in net investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the years ended June 30, 2017 and 2016, include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond program.

At June 30, 2017 and 2016, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$4,100,324 and \$5,710,537, respectively.

k. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

l. Use of Estimates

Management has made several estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

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m. Fee and Grant Revenue

Recognition of grant revenue is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made. Fee income is accrued as earned and includes fees received from loan originations, securitization premiums, loan servicing fees, and Section 8 administrative fees received from the U.S. Department of Housing and Urban Development (HUD), including administrative fees that are paid by HUD to Rhode Island Housing under the Performance-Based Contract Administration (PBCA) contract for certain Section 8 projects throughout Rhode Island.

n. Recent Accounting Pronouncements

Effective for the fiscal year ending June 30, 2018, the Corporation will be required to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 requires more extensive footnote disclosures in employer financial statements as well as restatement of beginning net position in fiscal 2018. The Corporation is currently evaluating the effects of GASB 75 on its financial statements

2. Restricted Assets

The Corporation maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from HUD for use in HUD programs.

At June 30, 2017 and 2016, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$204,021,355 and \$160,672,961 respectively, of investments and cash and cash equivalents, and \$300,214,635 and \$237,469,314 respectively, of loans receivable and other assets in the Corporation's Operating Fund are restricted.

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3. Loans Receivable

The Corporation provides single-family mortgage loans to qualified borrowers in the State. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

At June 30, 2017 and 2016, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

	2017	2016
Private Mortgage Insurance	\$ 288,611,915	\$ 338,268,739
FHA Insurance	179,887,588	152,954,590
VA Guaranteed	7,252,342	8,460,290
USDA/RD Guaranteed	11,239,823	12,719,155
Uninsured	192,404,124	203,569,755
Total	\$ 679,395,792	\$ 715,972,529

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of HUD. The insurance proceeds are usually paid in cash, but at the discretion of the Secretary, may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000 depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA) and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multi-family housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2017, of \$302,800,561 and \$86,117,364, respectively, and at June 30, 2016, of \$308,297,606 and \$19,733,542 respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2017 and 2016, loan balances of \$18,280,770 and \$18,448,918, respectively, in the Trust are also insured under such agreements.

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In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of June 30, 2017, 1,325 loans had been sold directly to FNMA and eight mortgage-backed securities had been issued. As of June 30, 2016, 956 loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2017 and 2016. In the Multi-Family Fund, 98% of the loan portfolio is in first lien position for the fiscal year ended June 30, 2017, and 99% for the fiscal year ended June 30, 2016. For the years ended June 30, 2017 and 2016, 44% and 33%, respectively, of the Operating Fund's loan portfolio is in first lien position, while 50% and 51%, respectively, of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the years ended June 30, 2017 and 2016, interest received under such deferred loan arrangements was \$315,392 and \$303,448, respectively, in the Operating Fund and \$341,112 and \$146,572, respectively, in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$200,963,363 and \$205,908,202 at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, principal outstanding under such deferred loan arrangements is as follows:

	2017	2016
Operating Fund:		
Single-family loans	\$ 60,977,329	\$ 68,599,219
Multi-family loans	199,130,995	196,273,262
Subtotal	260,108,324	264,872,481
Single-Family Fund:		
Single-family loans	17,294,136	18,536,405
Total	\$ 277,402,460	\$ 283,408,886

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Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2017 and 2016, principal outstanding under such non-accrual status loans is as follows:

	2017	2016
Operating Fund:		
Single-family loans	\$ 4,303,141	\$ 2,708,332
Multi-family loans	-	894,747
Subtotal	4,303,141	3,603,079
Single-Family Fund:		
Single-family loans	19,698,634	17,311,452
Total	\$ 24,001,775	\$ 20,914,531

A summary of the changes in the allowance for loan losses is as follows:

	2017	2016
Balance at beginning of year	\$ 38,000,000	\$ 34,000,000
Loans charged off, net of recoveries	(2,558,236)	(2,812,812)
Write-down of REO properties	(309,849)	(1,771,102)
Provision for loan losses	368,085	8,583,914
Balance at end of year	\$ 35,500,000	\$ 38,000,000

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At June 30, 2017 and 2016, the Mortgage Lender's Reserve Account totaled \$467,739.

4. Cash and Cash Equivalents, and Investments

Cash and Cash Equivalents Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, Rhode Island Housing's deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized; B) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation's or Trust's name; and C) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation's or Trust's name.

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The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy regarding custodial credit risk for its deposits.

Cash and cash equivalents of Rhode Island Housing were exposed to custodial credit risk at June 30, 2017 and 2016, as follows:

June 30, 2017				
Book Balance	Category			Total Bank Balance
	Insured	A	C	

Rhode Island Housing and Mortgage Finance Corporation

Cash Deposits - Operating	\$ 37,171,621	\$ 2,912,843	\$ 1,581,074	\$ 41,151,500	\$ 45,645,417
Cash Deposits - Single Family	2,081,468	-	-	-	-
Cash Deposits - Multi-Family Funds	655,103	-	627,110	-	627,110
Cash Deposits - Escrows	63,179,247	-	-	63,179,247	63,179,247
Total Deposits	103,087,439	2,912,843	2,208,184	104,330,747	109,451,774
Money Market Mutual Funds	153,108,647				153,108,647
Total Cash and Cash Equivalents	\$ 256,196,086	\$ 2,912,843	\$ 2,208,184	\$ 104,330,747	\$ 262,560,421

Rhode Island Housing and Mortgage Finance Corporation- Private Purpose Trust

Cash Deposits	\$ 21,398,280	\$ 250,000	-	\$ 21,013,075	\$ 21,263,075
Money Market Mutual Funds	10,695,158				10,695,158
Total Cash and Cash Equivalents	\$ 32,093,438	\$ 250,000	-	\$ 21,013,075	\$ 31,958,233

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June 30, 2016

Book Balance	Category			Total Bank Balance
	Insured	A	C	

Rhode Island Housing and Mortgage Finance Corporation

Cash Deposits - Operating	\$ 35,106,466	\$ 1,072,750	\$ 2,494,665	\$ 44,351,917	\$ 47,919,332
Cash Deposits - Single Family	1,928,163	-	-	-	-
Cash Deposits - Multi-Family Funds	4,032,542	-	167,705	-	167,705
Cash Deposits - Escrows	30,560,010	-	-	30,560,010	30,560,010
Total Deposits	71,627,181	1,072,750	2,662,370	74,911,927	78,647,047
Money Market Mutual Funds	116,359,457				116,359,457
Total Cash and Cash Equivalents	\$ 187,986,638	\$ 1,072,750	\$ 2,662,370	\$ 74,911,927	\$ 195,006,504

Rhode Island Housing and Mortgage Finance Corporation- Private Purpose Trust

Cash Deposits	\$ 16,334,741	\$ 250,000	-	\$ 14,632,929	\$ 14,882,929
Money Market Mutual Funds	10,695,158				10,695,158
Total Cash and Cash Equivalents	\$ 27,029,889	\$ 250,000	-	\$ 14,632,929	\$ 25,578,087

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. At June 30, 2017, \$19,342,672 in the Operating Fund, \$78,981,956 in the Single-Family Fund, \$54,784,019 in the Multi-Family Fund and \$10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. At June 30, 2016, \$99,769 in the Operating Fund, \$61,765,433 in the Single-Family Fund, \$54,494,255 in the Multi-Family Fund and \$10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio. These investments are used as temporary cash management instruments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments which are short-term cash equivalent typed investments are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

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Investments The first objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

Maturity	Maximum investment
Less than one year	100%
One to five years	25%
Greater than five years	0%

At June 30, 2017 and 2016, the Operating Fund holds two investments with a maturity of greater than five years. These investments are marketable securities that are pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis.

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At June 30, 2017 and 2016, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2017			Total
	1 year or less	>1 to 5 Years	>5 Years	
Operating Fund:				
U.S. Government Obligations	\$ 6,788,538	\$ -	\$ 2,932,675	\$ 9,721,213
Single-Family Fund:				
U.S. Government Obligations	-	-	55,204,947	55,204,947
U.S. Agency Obligations	-	-	20,157,315	20,157,315
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	<u>-</u>	<u>-</u>	<u>78,245,757</u>	<u>78,245,757</u>
Multi-Family Fund:				
U.S. Agency Obligations	434,392	4,832,693	-	5,267,085
Escrows*	<u>-</u>	<u>87,104,389</u>	<u>-</u>	<u>87,104,389</u>
Subtotal	<u>7,222,930</u>	<u>91,937,082</u>	<u>81,178,432</u>	<u>180,338,444</u>
Trust:				
U.S. Agency Obligations	<u>53,186</u>	<u>-</u>	<u>-</u>	<u>53,186</u>
Total	<u>\$ 7,276,116</u>	<u>\$ 91,937,082</u>	<u>\$ 81,178,432</u>	<u>\$ 180,391,630</u>

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	June 30, 2016			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	\$ 8,793,995	\$ -	\$ 1,672,292	\$ 10,466,287
Single-Family Fund:				
U.S. Government Obligations	-	-	68,719,848	68,719,848
U.S. Agency Obligations	2,020,838	-	24,109,958	26,130,796
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	<u>2,020,838</u>	<u>-</u>	<u>95,713,301</u>	<u>97,734,139</u>
Multi-Family Fund:				
U.S. Agency Obligations	456,075	3,245,933	2,325,325	6,027,333
Guaranteed Investment Contracts	-	17,911,140	-	17,911,140
Total Multi-Family Fund	<u>456,075</u>	<u>21,157,073</u>	<u>2,325,325</u>	<u>23,938,473</u>
Escrows*	<u>-</u>	<u>87,009,540</u>	<u>-</u>	<u>87,009,540</u>
Subtotal	<u>11,270,908</u>	<u>108,166,613</u>	<u>99,710,918</u>	<u>219,148,439</u>
Trust:				
U.S. Agency Obligations	<u>55,882</u>	<u>-</u>	<u>-</u>	<u>55,882</u>
Total	<u>\$ 11,326,790</u>	<u>\$ 108,166,613</u>	<u>\$ 99,710,918</u>	<u>\$ 219,204,321</u>

* Included in the tables above are escrow funds relating to homeowners and to multi-family developments. Rhode Island Housing is not exposed to interest rate risk relating to escrows since the income and market gains or losses on these investments flow directly into the respective escrow deposit liability accounts.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling \$78,294,937 and \$94,502,098 at June 30, 2017 and 2016, respectively.

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The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are observable market-based inputs or unobservable inputs that are corroborated by market data. Level 3 inputs are unobservable inputs that are not corroborated by market data.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of June 30, 2017, of \$96,825,602 in the Operating Fund, \$75,362,262 in the Single-Family, \$5,267,086 in the Multi-Family Fund, and \$53,186 in the Trust that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments are fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of \$2,883,495 in the Single-Family Fund as of June 30, 2017.

The Corporation had recurring fair value measurements in the same form as of June 30, 2016, of \$97,475,827 in the Operating Fund, \$94,850,644 in the Single-Family fund, \$6,027,334 in the Multi-Family Fund, and \$55,882 in the Trust that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments were fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of \$2,883,495 in the Single-Family Fund and \$17,911,140 in the Multi-Family Fund as of June 30, 2016.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

At June 30, 2017 and 2016, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

Rating Investment	June 30, 2017	
	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	20,157,315	2,883,495
Multi-Family Fund	5,267,085	-
Trust	53,186	-

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Rating Investment	June 30, 2016	
	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	26,130,796	2,883,495
Multi-Family Fund	6,027,333	17,911,140
Trust	55,882	-

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At June 30, 2017 and 2016, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

At June 30, 2017 and 2016, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

Issuer	June 30, 2017		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Home Loan Bank	\$ -	\$ 2,636,204	\$ -
Federal Farm Credit Bank	-	2,196,489	-
Federal National Mtg. Assoc.	20,157,315	-	53,186

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Issuer	June 30, 2016		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Home Loan Bank	\$ -	\$ 2,775,849	\$ -
Federal Farm Credit Bank	-	2,325,325	-
HSBC Bank	-	17,911,140	-
Federal National Mtg. Assoc.	24,109,958	-	55,882

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2017 and 2016, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2017 and 2016, there were no investments in any of the other funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation can enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At June 30, 2017 and 2016, the Corporation was not party to any interest rate swap agreements. At June 30, 2017, the Corporation had entered into certain commitments to sell loans, which expose the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets, net, consisted of the following at June 30:

	2017	2016
Real estate owned	\$ 5,185,967	\$ 11,432,030
Capital assets (<i>depreciable</i>), net	9,298,304	8,701,437
Purchased mortgage servicing rights and excess servicing, net	3,882,116	2,685,989
Other assets and control accounts	(145)	86,807
Total	<u>\$ 18,366,242</u>	<u>\$ 22,906,263</u>

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Depreciation expense related to capital assets for the years ended June 30, 2017 and 2016, was \$931,966 and \$832,376, respectively.

Amortization expense related to purchased mortgage servicing rights for the years ended June 30, 2017 and 2016 was \$645,276 and \$594,126, respectively.

Other assets of the Trust consisted of federal program properties totaling \$474,256 and \$1,220,183 at June 30, 2017 and June 30, 2016, respectively.

6. Bonds and Notes Payable

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of June 30, 2017.

Bonds and notes payable at June 30, 2017 and 2016 are as follows:

	2017	2016
Operating Fund Bonds and Notes:		
Federal Home Loan Bank		
Due 2017 to 2026, interest from 1.12% to 2.47%	\$ 13,675,000	\$ 12,000,000

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Federal Financing Bank		
Due 2056 to 2057, interest from 2.239% to 3.39%	78,474,584	11,400,000
General Obligation Bonds Series 2013:		
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000	5,000,000
Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	13,383,665	12,316,568
Lines of Credit, payable on demand, interest from 2.020% to 2.473%	61,009,000	74,000,000
Total Operating Fund	<u>171,542,249</u>	<u>114,716,568</u>
Single-Family Fund:		
Homeownership Opportunity Bonds:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000	1,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	495,000	500,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	-	56,970,000
Series 55-A:		
Serial bonds, due 2016 to 2017, interest from 3.90% to 3.95%	-	1,640,000
Term bonds, due 2034, interest at 4.50%	-	2,280,000
	<u>-</u>	<u>3,920,000</u>
Series 55-B:		
Serial bonds, due 2017, interest at 4.375%	-	1,110,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	-	51,925,000
	<u>-</u>	<u>53,035,000</u>
Series 56-A:		
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	-	44,765,000

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Series 57-A:		
Serial bonds, due 2017, interest at 4.25%	35,000	1,335,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	<u>510,000</u>	<u>1,810,000</u>
Series 57-B:		
Term bonds, due 2022, interest at 5.15%	780,000	1,655,000
Series 58-A:		
Term bonds, due 2023 to 2030, interest from 5.05% to 5.25%	7,410,000	8,300,000
Series 59-A:		
Serial bonds, due 2016 to 2017, interest from 4.00% to 4.125%	-	1,860,000
Term bonds, due 2034, interest at 5.15%	2,165,000	2,820,000
	<u>2,165,000</u>	<u>4,680,000</u>
Series 60-A1:		
Serial bonds, due 2016 to 2017, interest from 4.20% to 4.30%	-	490,000
Series 61-A:		
Serial bonds, due 2020 to 2023, interest from 2.40% to 3.05%	12,265,000	12,755,000
Series 61-B:		
Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%	6,755,000	7,020,000
Series 61-C:		
Serial bonds, due 2017 to 2020, interest from 2.30% to 3.00%	19,085,000	22,540,000
Term bonds, due 2034, interest at 4.00%	-	900,000
	<u>19,085,000</u>	<u>23,440,000</u>
Series 62-A:		
Serial bonds, due 2017 to 2021, interest from 1.90% to 3.125%	4,950,000	6,080,000
Series 62-B:		
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000	10,975,000
	<u>15,000,000</u>	<u>15,000,000</u>
Series 62-C:		
Serial bonds, due 2017 to 2022, interest from 2.75% to 3.85%	8,705,000	11,405,000
Term bonds, due 2022, interest at 3.875%	12,760,000	19,865,000
	<u>21,465,000</u>	<u>31,270,000</u>
Series 63-A:		
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	12,530,000	13,570,000

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Series 63-B:		
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	1,690,000	2,065,000
Series 63-C:		
Serial bonds, due 2017 to 2022, interest from 2.15% to 3.50%	7,470,000	8,700,000
Term bonds, due 2025, interest at 3.75%	3,680,000	3,680,000
	<u>11,150,000</u>	<u>12,380,000</u>
Series 63-T:		
Term bonds, due 2042, interest at variable rate	22,845,000	23,345,000
Series 64-T:		
Serial bonds, due 2017 to 2018, interest from 2.08% to 2.58%	5,750,000	11,820,000
Term bonds, due 2023 to 2034, interest from 3.00% to 4.00%	33,670,000	43,210,000
	<u>39,420,000</u>	<u>55,030,000</u>
Series 65-T:		
Serial bonds, due 2017 to 2025, interest from 1.640% to 3.886%	29,685,000	32,825,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	38,050,000	44,305,000
	<u>67,735,000</u>	<u>77,130,000</u>
Series 66 A-1:		
Term bonds, due 2033, interest at 4.00%	19,650,000	23,840,000
Series 66 A-2:		
Term bonds, due 2032, interest at 4.00%	6,330,000	7,390,000
Series 66-B:		
Term bonds, due 2045, interest at variable rate	15,000,000	15,000,000
Series 66 C-2:		
Term bonds, due 2017 to 2026, interest from 1.30% to 3.65%	19,295,000	21,750,000
Series 67-A:		
Term bonds, due 2041, interest at 3.55%	5,445,000	5,610,000
Series 67-B:		
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	10,670,000	11,650,000
Series 67-C:		
Serial bonds, due 2017 to 2027, interest from 1.00% to 3.00%	14,530,000	15,380,000
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	18,225,000	20,025,000
	<u>32,755,000</u>	<u>35,405,000</u>

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Series 68-A:		
Serial bonds, due 2017 to 2018, interest from 0.50% to 0.85%	1,340,000	-
Series 68-B:		
Term bonds, due 2031 to 2046, interest from 3.00% to 3.40%	40,000,000	-
Series 68-C:		
Serial bonds, due 2018 to 2026, interest from 1.15% to 2.65%	42,165,000	-
Term bonds, due 2031 to 2039, interest from 3.15% to 3.50%	102,035,000	-
	<u>144,200,000</u>	<u>-</u>
Unamortized bond premium	7,261,155	4,849,448
Subtotal	<u>579,196,155</u>	<u>611,704,448</u>
Home Funding Bonds:		
Series 1-A:		
Serial bonds, due 2017 to 2021, interest from 3.50% to 4.125%	5,745,000	6,855,000
Term bonds, due 2024, interest at 4.25%	710,000	2,450,000
	<u>6,455,000</u>	<u>9,305,000</u>
Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	18,345,000	21,260,000
Series 2, Subseries 2B:		
Term bonds, due 2041, interest at 2.63%	16,050,000	18,300,000
Series 2, Subseries 2C:		
Term bonds, due 2041, interest at 2.73%	26,470,000	29,010,000
Series 3:		
Serial bonds, due 2017 to 2020, interest from 2.60% to 3.20%	3,790,000	4,765,000
Term bonds, due 2025, interest at 4.00%	5,195,000	6,855,000
	<u>8,985,000</u>	<u>11,620,000</u>
Series 4:		
Serial bonds, due 2017 to 2022, interest from 2.30% to 3.50%	4,405,000	5,105,000
Term bonds, due 2026, interest from 4.05%	3,480,000	4,615,000
	<u>7,885,000</u>	<u>9,720,000</u>
Series 5:		
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	28,455,000	30,465,000
Unamortized bond premium	548,573	582,468
Subtotal	<u>113,193,573</u>	<u>130,262,468</u>
Total Single-Family Fund	<u>692,389,728</u>	<u>741,966,916</u>

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Multi-Family Fund:

Multi-Family Housing Bonds:

1995 Series A:		
Term bonds, due 2017, interest at 6.15%	-	275,000
1998 Series A:		
Term bonds, due 2018, interest at 5.375%	-	355,000
Subtotal	-	630,000

Housing Bonds:

2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,200,000	3,325,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	18,590,000	19,150,000
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,400,000	8,515,000
2007 Series A-1:		
Serial bonds, due 2016 to 2017, interest from 4.30% to 4.35%	-	690,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	-	29,680,000
	-	30,370,000
2007 Series B-1A/B:		
Serial bonds, due 2017, interest at 4.50%	230,000	440,000
Term bonds, due 2022 to 2027, interest from 5.0% to 5.25%	-	3,335,000
	230,000	3,775,000
Unamortized bond discount	(91,624)	(95,868)
Subtotal	30,328,376	65,039,132

Multi-Family Funding Bonds:

2009 Series A, Subseries 2009A-1:		
Term bonds, due 2051, interest at 3.01%	51,000,000	51,000,000
2009 Series A, Subseries 2009A-2:		
Term bonds, due 2051, interest at 2.32%	14,100,000	14,100,000
2010 Series A:		
Serial bonds, due 2017 to 2021, interest from 3.125% to 4.00%	2,980,000	3,535,000

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Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	<u>18,530,000</u>	<u>19,085,000</u>
2011 Series A:		
Serial bonds, due 2017, interest at 2.50%	90,000	265,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	4,310,000
	<u>4,400,000</u>	<u>4,575,000</u>
Subtotal	<u>88,030,000</u>	<u>88,760,000</u>
 Multi-Family Development Bonds:		
2010 Series 1:		
Serial bonds, due 2017 to 2021, interest from 3.20% to 4.25%	335,000	400,000
Term bonds, due 2025, interest at 4.75%	405,000	8,285,000
	<u>740,000</u>	<u>8,685,000</u>
2013 Series 1-AB:		
Serial bonds, due 2017 to 2023, interest from 1.35% to 2.85%	3,120,000	3,500,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000	30,905,000
	<u>34,025,000</u>	<u>34,405,000</u>
2013 Series 2-T:		
Serial bonds, due 2017 to 2023, interest from 1.551% to 3.218%	12,805,000	14,375,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000	36,725,000
	<u>49,530,000</u>	<u>51,100,000</u>
2013 Series 3-A:		
Term bonds, due 2016, interest at .85%	-	2,600,000
2013 Series 3-B:		
Serial bonds, due 2017 to 2024, interest from 1.35% to 3.85%	265,000	290,000
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	1,485,000	2,195,000
	<u>1,750,000</u>	<u>2,485,000</u>
2013 Series 3-C:		
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000	8,795,000
2013 Series 3-D:		
Serial bonds, due 2017 to 2024, interest from 1.85% to 4.35%	3,420,000	4,045,000
Term bonds, due 2024 to 2028, interest from 4.00% to 4.80%	12,245,000	12,715,000
	<u>15,665,000</u>	<u>16,760,000</u>
2013 Series 4-T:		
Serial bonds, due 2017 to 2018, interest from 2.374% to 2.774%	410,000	1,075,000
Term bonds, due 2023 to 2028, interest from 4.207% to 5.107%	1,790,000	3,970,000
	<u>2,200,000</u>	<u>5,045,000</u>
2014 Series 2-T:		
Serial bonds, due 2017 to 2027, interest from 1.645% to 3.823%	16,030,000	17,400,000

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2014 Series 3-A:		
Term bond, due 2018, interest of 1.35%	1,275,000	2,100,000
2014 Series 3-B:		
Serial bonds, due 2017 to 2025, interest from 1.00% to 2.95%	1,855,000	1,985,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000	13,715,000
	<u>15,570,000</u>	<u>15,700,000</u>
2016 Series 1-A:		
Term bonds, due 2044, interest from 0.80% to 1.05%	13,200,000	13,200,000
2016 Series 1-B:		
Serial bonds, due 2017 to 2026, interest from 0.625% to 2.650%	1,550,000	1,550,000
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000	15,350,000
	<u>16,900,000</u>	<u>16,900,000</u>
2016 Series 1-C:		
Serial bonds, due 2017 to 2026, interest from 0.75% to 3.00%	4,175,000	4,455,000
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000	15,170,000
	<u>19,345,000</u>	<u>19,625,000</u>
2017 Series 1-A:		
Term bonds, due 2047, interest from 1.60% to 1.70%	15,560,000	-
2017 Series 1-B:		
Term bonds, due 2052, interest at 4.20%	1,725,000	-
2017 Series 2-T:		
Serial bonds, due 2017 to 2028, interest from 1.25% to 3.639%	10,500,000	-
Term bonds, due 2032 interest at 4.069%	3,900,000	-
	<u>14,400,000</u>	<u>-</u>
2017 Series 3-T:		
Term bonds, due 2020, interest at 0.00%	7,600,000	-
Unamortized bond discount	(39,642)	(41,572)
Subtotal	<u>234,270,358</u>	<u>214,758,428</u>
Multi-Family Mortgage Revenue Bonds and Notes:		
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000

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Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	27,950,000	28,650,000
Series 2015 (Charles Place):		
Note payable, due 2045, interest at 4.16%	25,262,946	25,616,101
Series 2016 (EPN):		
Note payable, due 2049, interest at 4.07%	15,700,000	12,724,909
Note payable, due 2019, interest at variable rate	<u>3,500,000</u>	<u>-</u>
	19,200,000	12,724,909
Series 2017 (Colony House):		
Note payable, due 2050, interest at variable rate	<u>13,864,500</u>	<u>-</u>
Subtotal	119,977,446	100,691,010
Total Multi-Family Fund	<u>472,606,180</u>	<u>469,878,570</u>
Total Bonds and Notes Payable	<u>\$1,336,538,157</u>	<u>\$1,326,562,054</u>

On October 14, 2016, the Corporation refunded \$156,000,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.64% by the issuance of \$153,105,000 Homeownership Opportunity Bonds Series 68-A and 68-C dated October 14, 2016, with an average interest rate of 2.97%.

The Corporation refunded the following debt to reduce its total debt service payments over the next ten years by \$7,155,163 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$12,739,532.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 54	11/14/2006	\$ 56,970,000
Series 55-A	03/01/2007	3,375,000
Series 55-B	03/01/2007	52,000,000
Series 56-A	06/21/2007	<u>43,655,000</u>
		<u>\$ 156,000,000</u>

On April 27, 2017, the Corporation refunded \$22,000,000 of certain Housing Bond Program bonds with an average interest rate of 4.95% by the issuance of \$22,000,000 Multi-Family Development Bonds 2017 Series 2-T and 3-T dated April 27, 2017, with an average interest rate of 2.92%.

The Corporation refunded the following debt to reduce its total debt service payments over the next thirty-one years by \$16,456,956 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$6,048,913.

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<u>Housing Bond Program Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 2007 A	05/10/2007	\$ 22,000,000

On May 16, 2016, the Corporation refunded \$41,805,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.78% by the issuance of \$41,015,000 Homeownership Opportunity Bonds Series 67-A and 67-C dated May 16, 2016, with an average interest rate of 3.03%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by \$5,275,768 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$4,595,411.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 53-A	09/13/2006	\$ 5,610,000
Series 53-B	09/13/2006	36,195,000
		<u>\$ 41,805,000</u>

On April 1, 2016, the Corporation refunded \$19,625,000 of certain Housing Bond Program bonds with an average interest rate of 4.79% by the issuance of \$19,625,000 Multi-Family Development Bonds 2016 Series 1-C dated March 31, 2016, with an average interest rate of 3.75%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by \$5,346,298 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$2,596,912.

<u>Housing Bond Program Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 2006 A-1A	12/21/2006	\$ 19,625,000

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On August 10, 2015 and October 1, 2015, the Corporation refunded \$62,565,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.75% by the issuance of \$60,000,000 Homeownership Opportunity Bonds Series 66-A1 and Series 66-C1 dated August 7, 2015, and 66-A2 and 66-C2 dated August 20, 2015, with an average interest rate of 3.42%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by \$9,301,345 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$6,333,467.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 51-A	01/19/2006	\$ 28,165,000
Series 51-B	01/19/2006	1,020,000
Series 52-A	06/15/2006	11,155,000
Series 52-B	06/15/2006	22,225,000
		<u>\$ 62,565,000</u>

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2017, the Corporation may borrow up to a maximum of \$110,000,000 under various revolving loan agreements expiring between August 2017 and January 2018. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of \$10,000,000, has a variable interest rate, which was 2.47% at June 30, 2017. The outstanding remaining lines of credit of \$51,009,000 have fixed rates which range from 2.020% - 2.472% at June 30, 2017.

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The schedule below includes amounts required for debt service sinking funds for each fiscal year relating to the respective bonds and notes as of June 30, 2017 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds		Multi-Family Fund Bonds/Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 66,523	\$ 3,481	\$ 28,125	\$ 21,483	\$ 9,425	\$ 13,749
2019	5,000	3,199	34,975	20,440	9,280	13,615
2020	3,500	3,301	32,555	19,436	16,910	13,366
2021	-	3,218	33,830	18,475	9,715	13,066
2022	-	3,217	33,480	17,464	10,100	12,748
2023-2027	5,082	15,952	129,085	73,194	60,595	57,715
2028-2032	5,455	14,409	146,705	50,603	69,005	47,089
2033-2037	5,898	12,705	128,760	27,477	49,040	37,309
2038-2042	-	11,488	93,335	9,508	105,130	28,748
2043-2047	1,133	11,369	23,730	1,679	66,603	18,506
2048-2052	649	11,233	-	-	62,480	6,188
2053-2057	78,303	10,291	-	-	4,455	512
	<u>\$ 171,543</u>	<u>\$ 103,863</u>	<u>\$ 684,580</u>	<u>\$ 259,759</u>	<u>\$ 472,738</u>	<u>\$ 262,611</u>

Homeownership Opportunity Bonds Series 46-T, 48-T, and 63-T, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established monthly or quarterly, which range from 1.37% - 1.95% at June 30, 2017. Homeownership Opportunity Bonds Series HOB 66-B and certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from .848% - 1.61% at June 30, 2017.

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Bonds and notes payable activity for the year ended June 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	74,000,000	293,009,000	(306,000,000)	61,009,000
Secured notes	35,716,568	76,407,000	(6,590,319)	105,533,249
Revenue bonds	1,211,845,486	255,636,644	(302,486,222)	1,164,995,908
	<u>\$1,326,562,054</u>	<u>\$ 625,052,644</u>	<u>\$(615,076,541)</u>	<u>\$1,336,538,157</u>

Bonds and notes payable activity for the year ended June 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	58,000,000	315,000,000	(299,000,000)	74,000,000
Secured notes	21,272,119	21,082,218	(6,637,769)	35,716,568
Revenue bonds	1,269,220,875	193,976,389	(251,351,778)	1,211,845,486
	<u>\$ 1,353,492,994</u>	<u>\$ 530,058,607</u>	<u>\$(556,989,547)</u>	<u>\$1,326,562,054</u>

7. Commitments and Contingencies

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying combining statements of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Total credit exposure as a result of loan commitments at June 30, 2017, is as follows:

Operating Fund	\$ 96,002,429
Single-Family Fund	46,583
Multi-Family Fund	650,000
Trust	667,194
Total	<u>\$ 97,366,206</u>

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Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's creditworthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next seven years for a total of \$4,470,136, subject to the availability of funds. As of June 30, 2017, \$2,038,524 has been paid under these contracts.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2017, because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

In July 2013, the Corporation converted its loan funding platform from a mortgage revenue bond program to a program primarily financed through the sale of whole loans and mortgage-backed securities guaranteed by FNMA and GNMA as to timely payment of principal and interest. The securities represent pools of qualified first mortgage loans originated by Rhode Island Housing approved lenders. Under this program, the Corporation periodically enters into forward contracts to sell the securities to investors before the securities are ready for delivery (referred to as a "to-be-announced" or "TBA Mortgage-Backed Security Contract"). The Corporation enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. TBA Mortgage-Backed Security Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Corporation and the investor enter into the transaction: settlement factors; the reference rates or interest rates the security will bear; and notional amounts in the form of the principal amount of the future Mortgage-Backed Securities. In addition, payment to Rhode Island Housing by the investor is not required until the investor receives the security, enabling the investor to take a position on interest rates without making a payment. Finally, the TBA Mortgage-Backed Security Contracts may be "net settled" because neither party is required to deliver or purchase an asset to settle the TBA Mortgage-Backed Securities Contract.

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At June 30, 2017, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$51,920,000 and fair market values totaling \$54,179,881 were outstanding, resulting in a hedging instrument of \$2,259,881. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$15,655,000 and fair market values totaling \$16,114,342, resulting in a hedging instrument of \$459,342. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

At June 30, 2016, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$38,463,348 and fair values totaling \$40,701,103 were outstanding, resulting in a hedging instrument of \$2,237,755. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$14,500,000 and fair values totaling \$15,159,190, resulting in a hedging instrument of \$659,190. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the years ended June 30, 2017 and 2016, totaled \$1,158,957 and \$1,023,262, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of June 30, 2017, the plan included 27 retirees, 24 of which are receiving benefits, and 227 active employees. RIHRHP does not issue a stand-alone financial report.

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The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. For the years ended June 30, 2017 and 2016, plan members receiving benefits contributed \$19,017 and \$18,408, respectively, as their required contribution.

The annual OPEB cost and related information for the fiscal years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Annual required contribution (ARC)	\$ 645,430	\$ 495,062
Interest on OPEB obligation	166,310	166,800
Adjustment to ARC	(162,014)	(154,540)
Annual OPEB cost	649,726	507,322
Net estimated employer contributions	(78,241)	(56,248)
Increase in net OPEB obligation	571,485	451,074
Net OPEB obligation, beginning of year	4,157,746	3,706,672
Net OPEB obligation, end of year	\$ 4,729,231	\$ 4,157,746
Percent of annual OPEB cost contributed	12.0%	11.1%

The net OPEB obligation is reported in accounts payable and accrued liabilities in the Corporation's combining statements of net position. The Corporation's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$ 386,364	\$ 31,777	8.2%	\$ 3,706,672
June 30, 2016	507,322	56,248	11.1%	4,157,746
June 30, 2017	649,726	78,241	12.0%	4,729,231

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$5,680,026 as of June 30, 2017, the most recent valuation date. The ratio of the unfunded accrued liability to annual covered payroll of \$11,969,192 is 47.5%.

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Actuarial Methods and Assumptions

The Individual Entry Age Normal Cost Method is used to calculate the ARC for the Corporation's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the Corporation and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and the Corporation's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 2.50% inflation rate, an investment rate of return of 4.00%, payroll growth of 3.00% and a 30-year open amortization period. The actuarial cost method used was the Individual Entry Age Normal Cost Method and the Level as a percentage of employee payroll was the amortization method used. The initial annual healthcare cost trend rate used (Pre-65) was 7.50%, declining to an ultimate rate of 4.75% after 13 years. The initial annual healthcare cost trend rate used (Post-65) was 5.75%, declining to an ultimate rate of 4.25% after 10 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the Corporation's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding:

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
October 1, 2017	Homeownership Opportunity Bonds	\$ 9,835,000
October 1, 2017	Home Funding Bonds	\$ 8,885,000

The State of Rhode Island has requested that the Corporation provide financial assistance to the State for its general use in the amount of \$1,000,000. As of June 30, 2017, the Corporation had not received a formal request as to the timing of this transfer.

Required Supplementary Information
Retiree Healthcare Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2017

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Annual Covered Payroll ((b-a)/c)
June 30, 2011	-	\$ 2,764,235	\$ 2,764,235	0%	\$ 9,052,294	30.5%
June 30, 2014	-	3,352,085	3,352,085	0%	8,033,831	42.0%
June 30, 2017	-	5,680,026	5,680,026	0%	11,969,192	47.5%

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Combining Statements of Net Position - Single-Family Fund
June 30, 2017 and 2016

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2017	2016	2017	2016
Assets				
Loans receivable	\$ 640,098,096	\$ 667,830,730	\$ 39,297,696	\$ 48,141,799
Less allowance for loan losses	(10,000,000)	(11,000,000)	-	-
Loans receivable, net	<u>630,098,096</u>	<u>656,830,730</u>	<u>39,297,696</u>	<u>48,141,799</u>
Investments	12,658,219	17,028,915	65,587,538	80,705,224
Accrued interest-loans	2,166,430	2,349,652	130,490	161,762
Accrued interest-investments	83,970	101,209	205,771	242,352
Cash and cash equivalents	65,825,584	53,020,322	15,237,840	10,673,274
Other assets, net	3,233,530	9,481,328	253,822	1,050,230
Interfund receivable (payable)	-	(125,234)	18,597	18,597
Total assets	<u>714,065,829</u>	<u>738,686,922</u>	<u>120,731,754</u>	<u>140,993,238</u>
Deferred Outflows of Resources				
Loan origination costs	4,757	5,014	-	-
Total deferred outflows of resources	<u>4,757</u>	<u>5,014</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 714,070,586</u>	<u>\$ 738,691,936</u>	<u>\$ 120,731,754</u>	<u>\$ 140,993,238</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 579,196,155	\$ 611,704,448	\$ 113,193,573	\$ 130,262,468
Accrued interest payable on bonds and notes	4,675,978	5,290,453	933,918	1,044,586
Fees, net	166,467	188,415	-	-
Total liabilities	<u>584,038,600</u>	<u>617,183,316</u>	<u>114,127,491</u>	<u>131,307,054</u>
Net Position				
Net position, restricted	130,031,986	121,508,620	6,604,263	9,686,184
Total Liabilities and Net Position	<u>\$ 714,070,586</u>	<u>\$ 738,691,936</u>	<u>\$ 120,731,754</u>	<u>\$ 140,993,238</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
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Combining Statements of Net Position - Single-Family Fund
June 30, 2017 and 2016

	Single-Family Fund Totals	
	2017	2016
Assets		
Loans receivable	\$ 679,395,792	\$ 715,972,529
Less allowance for loan losses	(10,000,000)	(11,000,000)
Loans receivable, net	<u>669,395,792</u>	<u>704,972,529</u>
Investments	78,245,757	97,734,139
Accrued interest-loans	2,296,920	2,511,414
Accrued interest-investments	289,741	343,561
Cash and cash equivalents	81,063,424	63,693,596
Other assets, net	3,487,352	10,531,558
Interfund receivable (payable)	18,597	(106,637)
Total assets	<u>834,797,583</u>	<u>879,680,160</u>
Deferred Outflows of Resources		
Loan origination costs	4,757	5,014
Total deferred outflows of resources	<u>4,757</u>	<u>5,014</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 834,802,340</u>	<u>\$ 879,685,174</u>
Liabilities and Net Position		
Liabilities		
Bonds and notes payable	\$ 692,389,728	\$ 741,966,916
Accrued interest payable on bonds and notes	5,609,896	6,335,039
Fees, net	166,467	188,415
Total liabilities	<u>698,166,091</u>	<u>748,490,370</u>
Net Position		
Net position, restricted	<u>136,636,249</u>	<u>131,194,804</u>
Total Liabilities and Net Position	<u>\$ 834,802,340</u>	<u>\$ 879,685,174</u>

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
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Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Years Ended June 30, 2017 and 2016

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2017	2016	2017	2016
Operating revenues:				
Interest income on loans	\$ 29,394,440	\$ 31,550,569	\$ 1,771,369	\$ 2,046,667
Earnings on investments:				
Interest on investments	938,945	874,341	2,872,925	3,358,754
Net decrease in fair value of investments	(455,188)	(25,334)	(2,219,550)	(328,784)
Total operating revenues	29,878,197	32,399,576	2,424,744	5,076,637
Operating expenses:				
Interest expense	19,186,911	24,065,396	3,719,577	4,298,152
Housing initiatives	-	939	-	-
Provision for loan losses	62,706	6,200,000	-	-
REO expenditures	802,606	1,077,533	(18,000)	(5,835)
Arbitrage rebate	-	(181,723)	-	-
Bond issuance costs	1,300,895	1,236,681	-	-
Depreciation and amortization of other assets	2,256	2,949	5,088	6,565
Loan costs	257	257	-	-
Total operating expenses	21,355,631	32,402,032	3,706,665	4,298,882
Operating income (loss)	8,522,566	(2,456)	(1,281,921)	777,755
Transfers in (out)	800	3,838,995	(1,800,000)	(2,400,000)
Total change in net position	8,523,366	3,836,539	(3,081,921)	(1,622,245)
Net position, beginning of year	121,508,620	117,672,081	9,686,184	11,308,429
Net position, end of year	<u>\$ 130,031,986</u>	<u>\$ 121,508,620</u>	<u>\$ 6,604,263</u>	<u>\$ 9,686,184</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
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Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Years Ended June 30, 2017 and 2016

	Single-Family Fund Total	
	2017	2016
Operating revenues:		
Interest income on loans	\$ 31,165,809	\$ 33,597,236
Earnings on investments:		
Interest on investments	3,811,870	4,233,095
Net decrease in fair value of investments	(2,674,738)	(354,118)
Total operating revenues	32,302,941	37,476,213
Operating expenses:		
Interest expense	22,906,488	28,363,548
Housing initiatives	-	939
Provision for loan losses	62,706	6,200,000
REO expenditures	784,606	1,071,698
Arbitrage rebate	-	(181,723)
Bond issuance costs	1,300,895	1,236,681
Depreciation and amortization of other assets	7,344	9,514
Loan costs	257	257
Total operating expenses	25,062,296	36,700,914
Operating income	7,240,645	775,299
Transfers in (out)	(1,799,200)	1,438,995
Total change in net position	5,441,445	2,214,294
Net position, beginning of year	131,194,804	128,980,510
Net position, end of year	\$ 136,636,249	\$ 131,194,804

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
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Combining Statements of Net Position - Multi-Family Fund
June 30, 2017 and 2016

	Multi-Family Housing Bond Program		Housing Bond Program	
	2017	2016	2017	2016
Assets				
Loans receivable	\$ -	\$ 866,013	\$ 33,287,247	\$ 66,683,317
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>-</u>	<u>866,013</u>	<u>33,287,247</u>	<u>66,683,317</u>
Investments	-	17,911,140	2,295,005	2,888,874
Accrued interest-loans	-	5,557	210,880	427,913
Accrued interest-investments	1,618	9,952	88,773	59,929
Cash and cash equivalents	-	2,500,987	5,751,299	10,761,092
Accounts receivable, net	-	-	-	-
Interfund receivable (payable)	-	-	-	-
Total assets	<u>1,618</u>	<u>21,293,649</u>	<u>41,633,204</u>	<u>80,821,125</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 1,618</u>	<u>\$ 21,293,649</u>	<u>\$ 41,633,204</u>	<u>\$ 80,821,125</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ -	\$ 630,000	\$ 30,328,376	\$ 65,039,132
Accrued interest payable on bonds and notes	-	17,997	72,707	480,045
Accounts payable and accrued liabilities	-	-	-	233,511
Escrow deposits	-	-	-	-
Total liabilities	<u>-</u>	<u>647,997</u>	<u>30,401,083</u>	<u>65,752,688</u>
Net Position				
Net position, restricted	<u>1,618</u>	<u>20,645,652</u>	<u>11,232,121</u>	<u>15,068,437</u>
Total Liabilities and Net Position	<u>\$ 1,618</u>	<u>\$ 21,293,649</u>	<u>\$ 41,633,204</u>	<u>\$ 80,821,125</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2017 and 2016

	<u>Multi-Family Mortgage Revenue Bond</u>		<u>Multi-Family Funding Bond Program</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets				
Loans receivable	\$ 117,623,163	\$ 100,691,010	\$ 88,088,738	\$ 88,812,014
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>117,623,163</u>	<u>100,691,010</u>	<u>88,088,738</u>	<u>88,812,014</u>
Investments	-	-	-	-
Accrued interest-loans	170,487	71,875	468,905	472,758
Accrued interest-investments	-	-	-	-
Cash and cash equivalents	6,453,349	3,716,515	8,596,534	8,251,941
Accounts receivable, net	-	-	-	-
Interfund receivable (payable)	-	-	-	-
Total assets	<u>124,246,999</u>	<u>104,479,400</u>	<u>97,154,177</u>	<u>97,536,713</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 124,246,999</u>	<u>\$ 104,479,400</u>	<u>\$ 97,154,177</u>	<u>\$ 97,536,713</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 119,977,446	\$ 100,691,010	\$ 88,030,000	\$ 88,760,000
Accrued interest payable on bonds and notes	230,309	164,549	733,231	738,240
Accounts payable and accrued liabilities	-	-	-	-
Escrow deposits	4,104,838	3,722,587	-	-
Total liabilities	<u>124,312,593</u>	<u>104,578,146</u>	<u>88,763,231</u>	<u>89,498,240</u>
Net Position				
Net position, restricted	<u>(65,594)</u>	<u>(98,746)</u>	<u>8,390,946</u>	<u>8,038,473</u>
Total Liabilities and Net Position	<u>\$ 124,246,999</u>	<u>\$ 104,479,400</u>	<u>\$ 97,154,177</u>	<u>\$ 97,536,713</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2017 and 2016

	Multi-Family Development Bonds		Multi-Family Fund Total	
	2017	2016	2017	2016
Assets				
Loans receivable	\$ 241,069,028	\$ 213,499,715	\$ 480,068,176	\$ 470,552,069
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>241,069,028</u>	<u>213,499,715</u>	<u>480,068,176</u>	<u>470,552,069</u>
Investments	2,972,080	3,138,459	5,267,085	23,938,473
Accrued interest-loans	1,303,862	1,121,939	2,154,134	2,100,042
Accrued interest-investments	8,627	9,971	99,018	79,852
Cash and cash equivalents	34,637,940	33,296,261	55,439,122	58,526,796
Accounts receivable, net	-	-	-	-
Interfund receivable (payable)	-	(2,600,000)	-	(2,600,000)
Total assets	<u>279,991,537</u>	<u>248,466,345</u>	<u>543,027,535</u>	<u>552,597,232</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 279,991,537</u>	<u>\$ 248,466,345</u>	<u>\$ 543,027,535</u>	<u>\$ 552,597,232</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 234,270,358	\$ 214,758,428	\$ 472,606,180	\$ 469,878,570
Accrued interest payable on bonds and notes	1,854,802	1,906,484	2,891,049	3,307,315
Accounts payable and accrued liabilities	167,102	282,517	167,102	516,028
Escrow deposits	-	-	4,104,838	3,722,587
Total liabilities	<u>236,292,262</u>	<u>216,947,429</u>	<u>479,769,169</u>	<u>477,424,500</u>
Net Position				
Net position, restricted	<u>43,699,275</u>	<u>31,518,916</u>	<u>63,258,366</u>	<u>75,172,732</u>
Total Liabilities and Net Position	<u>\$ 279,991,537</u>	<u>\$ 248,466,345</u>	<u>\$ 543,027,535</u>	<u>\$ 552,597,232</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2017 and 2016

	<u>Multi-Family Housing Bond Program</u>		<u>Housing Bond Program</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating revenues:				
Interest income on loans	\$ 45,785	\$ 67,542	\$ 4,121,344	\$ 5,478,048
Earnings on investments:				
Interest on investments	1,124,170	1,121,995	225,382	263,713
Net increase (decrease) in fair value of investments	-	-	(147,042)	(362,920)
Total operating revenues	<u>1,169,955</u>	<u>1,189,537</u>	<u>4,199,684</u>	<u>5,378,841</u>
Operating expenses:				
Interest expense	21,597	35,994	1,682,618	2,616,130
Other administrative expenses	579	579	59,216	69,876
Arbitrage rebate	-	(11,893)	(233,511)	(363,560)
Bond issuance costs	-	-	-	-
Loan costs	18,556	45,699	539,652	556,937
Total operating expenses	<u>40,732</u>	<u>70,379</u>	<u>2,047,975</u>	<u>2,879,383</u>
Operating income	1,129,223	1,119,158	2,151,709	2,499,458
Transfers in (out)	(21,773,257)	45,699	(5,988,025)	(983,097)
Total change in net position	(20,644,034)	1,164,857	(3,836,316)	1,516,361
Net position, beginning of year	20,645,652	19,480,795	15,068,437	13,552,076
Net position, end of year	<u>\$ 1,618</u>	<u>\$ 20,645,652</u>	<u>\$ 11,232,121</u>	<u>\$ 15,068,437</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2017 and 2016

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2017	2016	2017	2016
Operating revenues:				
Interest income on loans	\$ 2,608,783	\$ 1,452,721	\$ 5,648,296	\$ 5,693,206
Earnings on investments:				
Interest on investments	9	-	32,390	10,058
Net increase (decrease) in fair value of investments	-	-	-	-
Total operating revenues	2,608,792	1,452,721	5,680,686	5,703,264
Operating expenses:				
Interest expense	2,275,134	1,303,028	2,945,713	2,964,175
Other administrative expenses	-	-	-	-
Arbitrage rebate	-	-	-	-
Bond issuance costs	-	-	-	-
Loan costs	-	-	143,350	118,968
Total operating expenses	2,275,134	1,303,028	3,089,063	3,083,143
Operating income	333,658	149,693	2,591,623	2,620,121
Transfers in (out)	(300,506)	(256,542)	(2,239,150)	(2,281,032)
Total change in net position	33,152	(106,849)	352,473	339,089
Net position, beginning of year	(98,746)	8,103	8,038,473	7,699,384
Net position, end of year	<u>\$ (65,594)</u>	<u>\$ (98,746)</u>	<u>\$ 8,390,946</u>	<u>\$ 8,038,473</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2017 and 2016

	<u>Multi-Family Development Bonds</u>		<u>Multi-Family Fund Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating revenues:				
Interest income on loans	\$ 13,235,757	\$ 12,961,043	\$ 25,659,965	\$ 25,652,560
Earnings on investments:				
Interest on investments	268,893	104,926	1,650,844	1,500,692
Net increase (decrease) in fair value of investments	(165,393)	309,584	(312,435)	(53,336)
Total operating revenues	<u>13,339,257</u>	<u>13,375,553</u>	<u>26,998,374</u>	<u>27,099,916</u>
Operating expenses:				
Interest expense	7,348,807	6,664,600	14,273,869	13,583,927
Other administrative expenses	-	-	59,795	70,455
Arbitrage rebate	(115,415)	157,529	(348,926)	(217,924)
Bond issuance costs	231,000	291,780	231,000	291,780
Loan costs	111,765	111,879	813,323	833,483
Total operating expenses	<u>7,576,157</u>	<u>7,225,788</u>	<u>15,029,061</u>	<u>14,561,721</u>
Operating income	5,763,100	6,149,765	11,969,313	12,538,195
Transfers in (out)	6,417,259	3,690,082	(23,883,679)	215,110
Total change in net position	12,180,359	9,839,847	(11,914,366)	12,753,305
Net position, beginning of year	31,518,916	21,679,069	75,172,732	62,419,427
Net position, end of year	<u>\$ 43,699,275</u>	<u>\$ 31,518,916</u>	<u>\$ 63,258,366</u>	<u>\$ 75,172,732</u>

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APPENDIX C-2

**UNAUDITED FINANCIAL STATEMENTS OF RIHOUSING FOR
THE NINE-MONTH PERIOD ENDED MARCH 31, 2018**

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**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE
OF RHODE ISLAND)**

Financial Statements and Supplementary Information
For the Nine Months Ended March 31, 2018

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
As of and For the Nine Months Ended March 31, 2018**

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Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordable Housing Trust Fund (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of March 31, 2018 and 2017 and for the nine months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the nine months ended March 31, 2018 increased (decreased) from the previous year as follows:

	2018	
	\$	%
Mortgage loans, gross	33.9	2.1
Investments	(26.0)	(12.8)
Cash and cash equivalents	7.8	2.7
Total assets	21.1	1.0
Bonds and notes payable	(21.3)	(1.6)
Total net position	22.9	7.6
Total revenues	5.7	6.9
Total expenses	(4.4)	(5.5)
Operating income	10.1	452.1

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$51.6 million. Multi-family new loan production increased by \$47.7 million and Operating Fund loans increased by \$37.8 million due mainly to an increase in multi-family loans in the operating fund.

Bonds and notes payable, the largest component of liabilities, decreased by \$21.0 million during 2018. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Corporation's assets, liabilities, deferred inflows and outflows of resources and net position. Over time, increases or decreases in the Corporation's net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the period reported.

All assets, liabilities, deferred inflows and outflows of resources, and changes in net position are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

The Affordable Housing Trust Fund (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following table summarizes the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the Nine Months Ended March 31, 2018 and 2017 (in thousands)			
	2018	2017	% Change
Revenues:			
Interest income on loans	\$ 53,436	\$ 52,220	2.3
Earnings on investments	3,718	4,308	(13.7)
Gain on sale of loans	14,503	7,294	98.8
Grant revenue	7,034	11,269	(37.6)
Other	11,751	10,060	16.8
Total revenues	90,442	85,151	6.2
Expenses:			
Interest expense	29,954	30,816	(2.8)
Provision for loan losses	1,800	4,802	(62.5)
REO expenditures	333	1,989	(83.3)
Bond issuance costs	14	1,360	(99.0)
Operating expenses	25,173	21,039	19.6
Grant expense	6,867	10,894	(37.0)
Other expenses	11,579	9,229	25.5
Total expenses	75,720	80,129	(5.5)
Operating income, before adjusting investments to fair value	\$ 14,722	\$ 5,022	193.1%

Operating income, after adjusting investments to fair value, was \$12.4 million for the nine-month period ended March 31, 2018, and \$2.2 million for the nine-month period ended March 31, 2017. GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$2.4 million in 2018 compared to a decrease of \$2.8 million in 2017. Operating income, excluding the unrealized gains and losses on investments, increased 193.1% in 2018.

Gain on sale of loans was \$14.5 million and \$7.3 million for the nine months ended March 31, 2018 and 2017, respectively.

Other revenue increased \$1.8 million from \$10 million in 2017 to \$11.8 million in 2018. Other revenue consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$25.2 million for the nine months ended March 31, 2018, an increase of 19.6% from \$21.0 million for the nine months ended March 31, 2017. This increase was primarily related to personnel services which increased in conjunction with an increase in loan volume.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses declined to \$0.3 million for the nine months ended March 31, 2018, from \$2.0 million in 2017.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income amounted to \$27.2 million for the nine months ended March 31, 2018, an increase of 5.8% from \$25.7 million for the nine months ended March 31, 2017. Earnings on investments decreased by \$0.6 million for the nine-month period ended March 31, 2018. Net interest income as a percentage of average bonds and notes payable was 4.00% in 2018 and 2.50% in 2017, respectively. Interest income on loans as a percentage of total loans increased from 4.33% in 2017 to 6.53% in 2018; interest expense on bonds and notes increased from 3.00% to 4.41% in 2018. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from 1.33% in 2017 to 2.12% in 2018. This is the result of various bond refundings.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual of interest income for that loan is ceased and any previous accrued interest income is reversed. The Corporation will commence accruing interest income on such loans once the loans are made current.

The provision for loan losses decreased from \$4.8 million in 2017 to \$1.8 million in 2018 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation. For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites, an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation’s financial position:

	March 31, 2018 and 2017 (in millions)		
	2018	2017	% Change
Loans receivable, net	\$ 1,607	\$ 1,569	2.4
Investments	177	203	(12.8)
Cash and cash equivalents	291	283	2.8
Other assets	35	34	2.9
Total assets	2,110	2,089	1.0
Deferred outflows of resources	2	2	30.6
Bonds and notes payable	1,353	1,374	(1.5)
Other liabilities	434	414	4.8
Total liabilities	1,787	1,788	(0.1)
Net position:			
Net investment in capital assets	9	9	-
Restricted	216	217	(0.6)
Unrestricted	101	77	30.8

At March 31, 2018, total assets of the Corporation increased 1.0% from 2017, primarily due to an increase in loans receivables, net, and cash and cash equivalents. Net loans receivable increased \$38.0 million, or 2.4%, from the previous year. This increase in loans is attributable to an increase in multi-family loans in the operating fund and loans in the multifamily fund, net of a decrease in single-family loans attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby the majority of new loans are sold. Bonds and notes payable totaled \$1.3 billion as of March 31, 2018, a decrease of \$21 million or 1.5% from March 31, 2017.

As of March 31, 2018, and 2017, the net position-to-asset ratio was 15.4% and 14.5%, respectively, and the loan-to-asset ratio was 76.2% and 75.1%, respectively. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of March 31, 2018 and 2017, single-family residential mortgages in bond resolutions totaled \$641 million and \$693 million, respectively, and multi-family loans in bond resolutions totaled \$512 million and \$464 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities or in guaranteed investment contracts with providers.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island have a direct impact on the Corporation's delinquency experience within its portfolio. At March 31, 2018 Rhode Island's unemployment rate was 4.5% compared to 4.3% for the same period in 2017. The Corporation has, however, experienced a decrease in its 90+ delinquency rate to 2.08% in 2018 from 2.30% in 2017.

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rihousing.com.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
March 31, 2018

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Assets				
Loans receivable	\$ 456,279,180	\$ 641,549,964	\$ 511,900,242	\$ 1,609,729,386
Less allowance for loan losses	(25,853,639)	(10,384,850)	-	(36,238,489)
Loans receivable, net	<u>430,425,541</u>	<u>631,165,114</u>	<u>511,900,242</u>	<u>1,573,490,897</u>
Loans held for sale	33,478,748	-	-	33,478,748
Investments	100,722,400	67,136,246	9,013,539	176,872,185
Accrued interest-loans	935,121	2,114,080	2,453,036	5,502,237
Accrued interest-investments	20,565	204,777	81,209	306,551
Cash and cash equivalents	97,113,522	112,359,037	81,774,057	291,246,616
Accounts receivable, net	10,707,900	-	26,907	10,734,807
Other assets, net	13,975,116	4,725,500	-	18,700,616
Interfund receivable (payable)	3,536	(3,536)	-	-
Total Assets	<u>687,382,449</u>	<u>817,701,218</u>	<u>605,248,990</u>	<u>2,110,332,657</u>
Deferred Outflows of Resources				
Loan origination costs	-	4,564	-	4,564
Hedging instruments	2,160,201	-	-	2,160,201
Total deferred outflows of resources	<u>2,160,201</u>	<u>4,564</u>	<u>-</u>	<u>2,164,765</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 689,542,650</u>	<u>\$ 817,705,782</u>	<u>\$ 605,248,990</u>	<u>\$ 2,112,497,422</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 175,401,873	\$ 663,945,413	\$ 513,634,942	\$ 1,352,982,228
Accrued interest payable on bonds and notes	150,806	10,624,853	6,081,107	16,856,766
Accounts payable and accrued liabilities	8,886,435	-	167,102	9,053,537
Fees, net	1,335,827	152,856	-	1,488,683
Escrow deposits	389,518,710	-	16,858,649	406,377,359
Total liabilities	<u>575,293,651</u>	<u>674,723,122</u>	<u>536,741,800</u>	<u>1,786,758,573</u>
Net Position				
Net investment in capital assets	9,330,097	-	-	9,330,097
Restricted by bond resolutions	4,204,791	142,982,660	68,507,190	215,694,641
Unrestricted	100,714,111	-	-	100,714,111
Total net position	<u>114,248,999</u>	<u>142,982,660</u>	<u>68,507,190</u>	<u>325,738,849</u>
Total Liabilities and Net Position	<u>\$ 689,542,650</u>	<u>\$ 817,705,782</u>	<u>\$ 605,248,990</u>	<u>\$ 2,112,497,422</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Nine Months Ended March 31, 2018

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Operating revenues:				
Interest income on loans	\$ 8,162,340	\$ 21,728,523	\$ 20,140,168	\$ 50,031,031
Interest income attributable to internal servicing activities	3,405,463	-	-	3,405,463
Total interest income on loans	<u>11,567,803</u>	<u>21,728,523</u>	<u>20,140,168</u>	<u>53,436,494</u>
Income on investments:				
Earnings on investments	335,579	2,812,155	570,515	3,718,249
Net decrease in fair value of investments	(91,812)	(2,065,700)	(198,898)	(2,356,410)
Fees	9,827,674	-	-	9,827,674
Servicing fee income	1,923,298	-	-	1,923,298
Grant revenue	7,034,252	-	-	7,034,252
Miscellaneous income	308	-	-	308
Gain on sale of loans	14,503,368	-	-	14,503,368
Total operating revenues	<u>45,100,470</u>	<u>22,474,978</u>	<u>20,511,785</u>	<u>88,087,233</u>
Operating expenses:				
Interest expense	3,797,470	15,250,036	10,906,625	29,954,131
Personnel services	17,048,967	-	-	17,048,967
Other administrative expenses	7,007,866	-	1,837	7,009,703
Housing initiatives	2,487,837	-	-	2,487,837
Provision for loan losses (recoveries)	900,000	900,000	-	1,800,000
REO expenditures	362,083	(28,684)	-	333,399
Bond issuance costs	1,600	-	12,020	13,620
Bad debt expense	(11,906)	-	-	(11,906)
Arbitrage rebate	-	-	134,712	134,712.000
Depreciation and amortization of other assets	1,107,056	7,022	-	1,114,078
Loan costs	8,168,508	193	593,144	8,761,845
State Rental Subsidy Program	206,031	-	-	206,031
Grant expense	6,867,268	-	-	6,867,268
Total operating expenses	<u>47,942,780</u>	<u>16,128,567</u>	<u>11,648,338</u>	<u>75,719,685</u>
Operating income (loss)	<u>(2,842,310)</u>	<u>6,346,411</u>	<u>8,863,447</u>	<u>12,367,548</u>
Transfers in (out)	<u>3,614,623</u>	<u>-</u>	<u>(3,614,623)</u>	<u>-</u>
Total change in net position	<u>772,313</u>	<u>6,346,411</u>	<u>5,248,824</u>	<u>12,367,548</u>
Net position, beginning of period	<u>113,476,686</u>	<u>136,636,249</u>	<u>63,258,366</u>	<u>313,371,301</u>
Net position, end of period	<u>\$ 114,248,999</u>	<u>\$ 142,982,660</u>	<u>\$ 68,507,190</u>	<u>\$ 325,738,849</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Nine Months Ended March 31, 2018

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 11,569,261	\$ 21,911,364	\$ 19,841,264	\$ 53,321,889
Repayment of loans receivable	333,021,889	66,095,833	30,043,363	429,161,085
Fees collected	11,778,509	(13,611)	-	11,764,898
Other receipts (disbursements), net	(4,056,654)	-	12,753,811	8,697,157
Loans disbursed	(354,751,848)	(28,250,005)	(61,875,429)	(444,877,282)
Accounts receivable, net	556,801	-	-	556,801
Accts. receivable expenses	11,906	-	-	11,906
Loss on loans receivable	(546,361)	(515,150)	-	(1,061,511)
Loss on REO properties	(362,083)	28,684	-	(333,399)
Bond issuance costs	(1,600)	-	(363,805)	(365,405)
Personnel services	(17,048,967)	-	-	(17,048,967)
Other administrative expenses	(6,645,516)	-	(1,836)	(6,647,352)
Housing initiative expenses	(2,850,187)	-	-	(2,850,187)
Other assets	(203,282)	(1,245,170)	882	(1,447,570)
Accounts payable and accrued liabilities	315,602	-	(134,712)	180,890
Gain on sale of loans	6,893,882	-	(593,144)	6,300,738
State Rental Subsidy Program	(206,031)	-	-	(206,031)
Transfers from (to) other programs	3,592,489	22,133	(3,262,837)	351,785
Net cash provided by (used for) operating activities	(18,932,190)	58,034,078	(3,592,443)	35,509,445
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	302,140,000	5,679	59,523,421	361,669,100
Payment of bond and note principal	(298,280,376)	(28,449,994)	(18,494,659)	(345,225,029)
Interest paid on bonds and notes	(3,855,992)	(10,235,079)	(7,717,450)	(21,808,521)
Net cash provided by (used for) noncapital financing activities	3,632	(38,679,394)	33,311,312	(5,364,450)
Cash Flows from Investing Activities:				
Redemption of investments	258,894,507	9,043,811	428,685	268,367,003
Earnings on investments	337,150	2,897,118	588,324	3,822,592
Purchase of investments	(262,883,117)	-	(4,400,943)	(267,284,060)
Net cash provided by (used for) investing activities	(3,651,460)	11,940,929	(3,383,934)	4,905,535
Net Increase (Decrease) in Cash and Cash Equivalents	(22,580,018)	31,295,613	26,334,935	35,050,530
Cash and Cash Equivalents, beginning of period	119,693,540	81,063,424	55,439,122	256,196,086
Cash and Cash Equivalents, end of period	\$ 97,113,522	\$ 112,359,037	\$ 81,774,057	\$ 291,246,616

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Nine Months Ended March 31, 2018

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities:				
Operating income (loss)	\$ (2,842,310)	\$ 6,346,411	\$ 8,863,447	\$ 12,367,548
Adjustments:				
Earnings on investments	(337,150)	(2,897,118)	(588,324)	(3,822,592)
Net decrease in fair value of investments	91,812	2,065,700	198,898	2,356,410
Interest paid on bonds and notes	3,855,992	10,235,079	7,717,450	21,808,521
Transfer of investments and/or net position	3,614,623	-	(3,614,623)	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(21,376,320)	38,230,678	(31,832,066)	(14,977,708)
Accrued interest-loans	1,459	182,840	(298,903)	(114,604)
Accrued interest-investments	1,570	84,964	17,809	104,343
Accounts receivable, net	556,801	-	-	556,801
Other assets	903,774	(1,238,148)	-	(334,374)
Interfund receivable (payable)	(22,133)	22,133.00	-	-
Deferred outflows of resources	559,022	193	-	559,215
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	(58,521)	5,014,957	3,190,058	8,146,494
Accounts payable/accrued liabilities	315,601	-	-	315,601
Fees, net	27,537	(13,611)	-	13,926
Escrow deposits	(4,223,947)	-	12,753,811	8,529,864
Total adjustments	(16,089,880)	51,687,667	(12,455,890)	23,141,897
Net cash provided by (used for) operating activities	\$ (18,932,190)	\$ 58,034,078	\$ (3,592,443)	\$ 35,509,445

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Fiduciary Net Position - Private Purpose Trust Component Unit
March 31, 2018

Assets

Loans receivable	\$ 53,509,489
Less allowance for loan losses	<u>(5,504,813)</u>
Loans receivable, net	48,004,676

Investments	51,095
Accrued interest-loans	164,810
Accrued interest-investments	291
Cash and cash equivalents	37,159,498
Accounts receivable, net	102,930
Other assets, net	<u>459,500</u>

Total Assets	<u><u>\$ 85,942,800</u></u>
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Liabilities and Net Position

Liabilities

Accounts payable and accrued liabilities	<u>\$ 62,098</u>
Total liabilities	<u>62,098</u>

Net Position

Held in trust	<u>85,880,702</u>
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Total Liabilities and Net Position	<u><u>\$ 85,942,800</u></u>
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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Nine Months Ended March 31, 2018

Revenues:

Interest income on loans	\$ 1,809,163
Earnings on investments:	
Interest on investments	217,498
Net decrease in fair value of investments	(178)
Trust Receipts	738,121
Total revenues	<u><u>2,764,604</u></u>

Expenses:

Provision (recovery) for loan loss	(2,153)
Costs to sell loans	35,031
Total expenses	<u><u>32,878</u></u>

Total change in net position **2,731,726**

Net position, beginning of period 83,148,976

Net position, end of period \$ 85,880,702

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordable Housing Trust Fund (the "Trust") is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined based on appointment by a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordable Housing Trust Fund

The Affordable Housing Trust Fund (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

c. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements. Transfers between funds are made to cover the operating costs associated with management of bond resolutions. Transfers also consist of reimbursement of collateral for bond resolutions previously funded by the operating fund.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles, with the exception of exclusion of disclosures related to the custodial credit risk of cash and cash equivalents, distribution of investments by remaining or re-pricing maturity, credit risk rating of investments, the schedule of required interest and principal payments of bond and notes payable, and the absence of the adoption of accounting for postemployment benefits other than pensions (see Note 1(n)).

The Corporation has presented an unclassified combining statement of net position in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable by the Corporation within one year from the date of the combining statement of net position, the actual principal amount of loans received and the actual principal amount repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made per contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Such loans are presented as loans held for sale on the accompanying statement of net position. Gains and losses for sales of loans are recognized based upon the difference between the fair value of mortgage-backed securities forward contracts at date of commitment and the carrying value of the underlying loans.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

e. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less are considered cash and cash equivalents.

f. Investments

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.

In accordance with GASB Statement No. 31 (GASB 31), money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost if the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for tax-exempt bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying statement of net position and recorded within operating expenses in the statement of revenues, expenses and changes in net position.

g. Bond Issuance Costs, Premiums, Discounts and Early Retirements

In accordance with GASB Statement No. 65, costs associated with issuing bonds are reported in the combining statement of revenues, expenses and changes in net position in the year the bond is issued. In addition, when refinancing debt, the costs associated with the refinanced bond are also reported in the combining statement of revenues, expenses and changes in net position in the year in which the bond is refinanced.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Any premium paid on the call related to the early retirement of bonds that are not refunded is reported in the combining statement of revenues, expenses and changes in net position.

h. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation depreciates property and equipment on a straight-line basis over the assets' estimated lives, which range from 3-40 years.

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value less the cost to sell. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund is at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Carrying costs relating to other real estate owned are recorded in the Operating Fund.

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At March 31, 2018, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at March 31, 2018.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statements of net position either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The difference between the notional amount and fair value of the derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Corporation's combining statements of net position. The Corporation currently has one type of derivative instrument outstanding: mortgage-backed security forward contracts.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

j. Net Position

Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any. Restricted net position consists of restricted assets that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments, or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets. Unrestricted net position consists of amounts not included in net investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the period ended March 31, 2018, include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond program.

At March 31, 2018, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$4,194,828.

k. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

l. Use of Estimates

Management has made several estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

m. Fee and Grant Revenue

Recognition of grant revenue is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Expenditures are the prime factor in determining eligibility and include fees received from loan originations, securitization premiums, loan servicing fees, and Section 8 administrative fees received from the U.S. Department of Housing and Urban Development (HUD), including administrative fees that are paid by HUD to Rhode Island Housing under the Performance-Based Contract Administration (PBCA) contract for certain Section 8 projects throughout Rhode Island.

n. Recent Accounting Pronouncements

Effective July 1, 2017 (beginning of the fiscal year ending June 30, 2018), the Corporation was required to adopt the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 requires more extensive footnote disclosures in employer financial statements as well as restatement of beginning net position in fiscal 2018.

The Corporation did not adopt the requirements of GASB 75 effective July 1, 2017. As of the March 31, 2018, the Corporation's net OPEB obligation that should be recorded is \$6,122,996. The adoption of GASB 75 effective July 1, 2017 would have resulted in a decrease in net position in the Operating Fund as of June 30, 2017 in the amount of \$950,795. The Corporation recorded expense of \$436,573 for the nine months ended March 31, 2018 related to Net OPEB costs, however has not yet recorded the restatement of \$950,795.

2. Restricted Assets

The Corporation maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from HUD for use in HUD programs.

At March 31, 2018, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$197,835,922 of investments and cash and cash equivalents and \$327,564,178 of loans receivable and other assets in the Corporation's Operating Fund are restricted.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

3. Loans Receivable

The Corporation provides single-family mortgage loans to qualified borrowers in the State. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

At March 31, 2018, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

Private Mortgage Insurance	\$ 249,276,880
FHA Insurance	193,437,683
VA Guaranteed	6,920,281
USDA/RD Guaranteed	9,698,904
Uninsured	182,216,216
Total	\$ 641,549,964

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of HUD. The insurance proceeds are usually paid in cash, but at the discretion of the Secretary, may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000 depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA) and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at March 31, 2018 of \$306,181,425 and \$106,894,359, respectively are insured under such agreements subject to maximum participation limits. At March 31, 2018, loan balances of \$18,146,300 in the Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of March 31, 2018, 1,714 loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

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In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the nine months ended March 31, 2018. In the Multi-Family Fund, 99% of the loan portfolio is in first lien position for the nine months ended March 31, 2018. For the nine months ended March 31, 2018, 45% of the Operating Fund's loan portfolio is in first lien position, while 49% of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the nine months ended March 31, 2018, interest received under such deferred loan arrangements was \$247,870 in the Operating Fund and \$228,823 in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$207,525,369 at March 31, 2018.

At March 31, 2018, principal outstanding under such deferred loan arrangements is as follows:

Operating Fund:	
Single-family loans	\$ 64,305,801
Multi-family loans	201,927,345
Subtotal	<u>266,233,146</u>
Single-Family Fund:	
Single-family loans	<u>16,021,369</u>
Total	<u>\$ 282,254,515</u>

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At March 31, 2018, principal outstanding under such non-accrual status loans is as follows:

Operating Fund:	
Single-family loans	\$ 4,691,216
Single-Family Fund:	
Single-family loans	<u>17,203,662</u>
Total	<u>\$ 21,894,878</u>

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A summary of the changes in the allowance for loan losses is as follows:

Balance at beginning of period	\$ 35,500,000
Loans charged off, net of recoveries	(681,529)
Write-down of REO properties	(379,982)
Provision for loan losses	1,800,000
Balance at end of period	<u>\$ 36,238,489</u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the “Mortgage Lender’s Reserve Account”). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At March 31, 2018, the Mortgage Lender’s Reserve Account totaled \$364,663.

4. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, Rhode Island Housing’s deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized; B) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation’s or Trust’s name; and C) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation’s or Trust’s name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy regarding custodial credit risk for its deposits.

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Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio. These investments are used as temporary cash management instruments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments which are short-term cash equivalent typed investments are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

Investments The first objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

Maturity	Maximum investment
Less than one year	100%
One to five years	25%
Greater than five years	0%

At March 31, 2018, the Operating Fund holds two investments with maturities of greater than five years. These investments are marketable securities that are pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis.

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Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing’s program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling \$66,791,963 at March 31, 2018.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are observable market-based inputs or unobservable inputs that are corroborated by market data. Level 3 inputs are unobservable inputs that are not corroborated by market data.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of March 31, 2018, of \$100,722,400 in the Operating Fund, \$64,252,751 in the Single-Family fund, \$9,013,539 in the Multi-Family Fund, and \$51,095 in the Trust that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments were fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of a guaranteed investment contract in the amount of \$2,883,495 in the Single-Family Fund as of March 31, 2018.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

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Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At March 31, 2018, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At March 31, 2018, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities.

At March 31, 2018, there were no investments in any of the other funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation can enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At March 31, 2018, the Corporation was not party to any interest rate swap agreements. At March 31, 2018, the Corporation had entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets, net, consisted of the following at March 31, 2018:

Real estate owned	\$ 5,991,731
Capital assets (<i>depreciable</i>), net	9,330,097
Purchased mortgage servicing rights and excess servicing, net	3,434,312
Other assets and control accounts	(55,524)
Total	\$ 18,700,616

Depreciation expense related to capital assets for the nine months ended March 31, 2018, was \$659,251.

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Amortization expense related to the purchased mortgage servicing rights for the nine months ended March 31, 2018, was \$454,827.

Other assets of the Trust consisted of federal program properties totaling \$459,500 at March 31, 2018.

6. Bonds and Notes Payable

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of March 31, 2018.

Bonds and notes payable at March 31, 2018, are as follows:

Operating Fund Bonds and Notes:

Federal Home Loan Bank	
Due 2018 to 2026, interest up to 2.47%	\$ 12,675,000
Federal Financing Bank:	
Due 2056 to 2058, interest from 2.24% to 3.39%	99,482,830
General Obligation Bonds Series 2013:	
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000

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Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	14,235,043
Lines of Credit, payable on demand, interest from 1.96% to 3.20%	44,009,000
Total Operating Fund	175,401,873

Single-Family Fund:

Homeownership Opportunity Bonds and Notes:

Series 10-A:

Term bonds, due 2022 to 2027, interest at 6.50%	995,000
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Series 15-A:

Term bonds, due 2024, interest at 6.85%	490,000
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Series 46-T:

Term bonds, due 2034, interest at variable rate	15,000,000
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Series 48-T:

Term bonds, due 2034, interest at variable rate	15,000,000
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Series 57-A:

Term bonds, due 2034, interest at 5.00%	475,000
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Series 57-B:

Term bonds, due 2022, interest at 5.15%	530,000
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Series 58-A:

Term bonds, due 2023 to 2030, interest from 5.05% to 5.25%	7,345,000
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Series 59-A:

Term bonds, due 2034, interest at 5.15%	1,060,000
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Series 61-A:

Serial bonds, due 2020 to 2023, interest from 2.40% to 3.05%	12,265,000
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Series 61-B:

Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%	6,755,000
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Series 61-C:

Serial bonds, due 2018 to 2020, interest from 2.50% to 3.00%	17,260,000
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Series 62-A:

Serial bonds, due 2018 to 2021, interest from 2.10% to 3.125%	4,620,000
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Series 62-B:	
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	9,615,000
	<u>13,640,000</u>
Series 62-C:	
Serial bonds, due 2018 to 2022, interest from 3.00% to 3.875%	10,395,000
Term bonds, due 2022, interest at 3.875%	10,280,000
	<u>20,675,000</u>
Series 63-A:	
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	12,215,000
Series 63-B:	
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	1,690,000
Series 63-C:	
Serial bonds, due 2018 to 2022, interest from 2.40% to 3.50%	7,155,000
Term bonds, due 2025, interest at 3.75%	3,680,000
	<u>10,835,000</u>
Series 63-T:	
Term bonds, due 2042, interest at variable rate	22,715,000
Series 64-T:	
Serial bonds, due 2018, interest from 2.48% to 2.58%	4,350,000
Term bonds, due 2023 to 2034, interest from 3.00% to 4.00%	33,420,000
	<u>37,770,000</u>
Series 65-T:	
Serial bonds, due 2018 to 2025, interest from 2.063% to 3.886%	28,880,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	36,185,000
	<u>65,065,000</u>
Series 66 A-1	
Term bonds, due 2033, interest at 4.00%	18,920,000
Series 66 A-2	
Term bonds, due 2032, interest at 4.00%	5,820,000
Series 66 B	
Term bonds, due 2045, interest at variable rate	15,000,000
Series 66 C-2	
Serial bonds, due 2018 to 2026, interest from 1.60% to 3.65%	18,815,000

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Series 67-A:	
Term bonds, due 2041, interest at 3.55%	5,445,000
Series 67-B:	
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	10,020,000
Series 67-C:	
Serial bonds, due 2018 to 2027, interest from 1.15% to 3.00%	14,320,000
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	<u>17,500,000</u>
	31,820,000
Series 68-A:	
Serial bonds, due 2018, interest at 0.85%	440,000
Series 68-B:	
Term bonds, due 2031 to 2046, interest from 3.00% to 3.40%	39,365,000
Series 68-C:	
Serial bonds, due 2018 to 2026, interest from 1.15% to 2.65%	42,165,000
Term bonds, due 2031 to 2039, interest from 3.15% to 3.50%	<u>100,345,000</u>
	142,510,000
Unamortized bond premium	<u>6,867,082</u>
Subtotal	561,422,082
Home Funding Bonds and Notes:	
Series 1-A:	
Serial bonds, due 2018 to 2020, interest from 3.75% to 3.95%	3,770,000
Series 2, Subseries 2A:	
Term bonds, due 2041, interest at 3.16%	16,915,000
Series 2, Subseries 2B:	
Term bonds, due 2041, interest at 2.63%	14,690,000
Series 2, Subseries 2C:	
Term bonds, due 2041, interest at 2.73%	25,030,000
Series 3:	
Serial bonds, due 2018 to 2020, interest from 2.85% to 3.20%	3,285,000
Term bonds, due 2025, interest at 4.00%	<u>4,460,000</u>
	7,745,000

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Series 4:	
Serial bonds, due 2018 to 2022, interest from 2.55% to 3.50%	4,045,000
Term bonds, due 2026, interest at 4.05%	2,265,000
	6,310,000
Series 5:	
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	27,540,000
Unamortized bond premium	523,331
Subtotal	102,523,331
Total Single-Family Fund	663,945,413
Multi-Family Fund:	
Housing Bonds:	
2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	3,060,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	18,590,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	8,400,000
Unamortized bond discount	(88,462)
Subtotal	29,961,538
Multi-Family Funding Bonds:	
2009 Series A, Subseries 2009A-1:	
Term bonds, due 2051, interest at 3.01%	51,000,000
2009 Series A, Subseries 2009A-2:	
Term bonds, due 2051, interest at 2.32%	14,100,000
2010 Series A:	
Serial bonds, due 2018 to 2021, interest from 3.375% to 4.00%	2,690,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000
	18,240,000
2011 Series A:	
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000
Subtotal	87,650,000

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Multi-Family Development Bonds:

2010 Series 1:	
Serial bonds, due 2018 to 2021, interest from 3.625% to 4.25%	305,000
Term bonds, due 2025, interest at 4.75%	405,000
	<hr/> 710,000
2013 Series 1-B:	
Serial bonds, due 2018 to 2023, interest from 1.60% to 2.85%	2,925,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000
	<hr/> 33,830,000
2013 Series 2-T:	
Serial bonds, due 2018 to 2023, interest from 1.701% to 3.218%	11,980,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000
	<hr/> 48,705,000
2013 Series 3-B:	
Serial bonds, due 2018 to 2024, interest from 1.80% to 3.85%	240,000
Term bonds, due 2028 to 2043, interest from 4.375% to 5.10%	1,485,000
	<hr/> 1,725,000
2013 Series 3-C:	
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000
2013 Series 3-D:	
Serial bonds, due 2019 to 2024, interest from 2.75% to 4.35%	1,480,000
Term bonds, due 2018 to 2028, interest from 2.30% to 4.80%	13,380,000
	<hr/> 14,860,000
2013 Series 4-T:	
Serial bonds, due 2018, interest from 2.674% to 2.774%	270,000
Term bonds, due 2023 to 2028, interest from 4.207% to 5.107%	1,790,000
	<hr/> 2,060,000
2014 Series 2-T:	
Serial bonds, due 2018 to 2027, interest from 2.181% to 3.823%	15,315,000
2014 Series 3-A:	
Term bond, due 2018, interest at 1.35%	855,000
2014 Series 3-B:	
Serial bonds, due 2018 to 2025, interest from 1.25% to 2.95%	1,770,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000
	<hr/> 15,485,000
2016 Series 1-B:	
Serial bonds, due 2018 to 2026, interest from 0.75% to 2.650%	1,520,000
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000
	<hr/> 16,870,000

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2016 Series 1-C:	
Serial bonds, due 2018 to 2026, interest from 0.90% to 3.00%	4,010,000
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000
	19,180,000
2017 Series 1-A:	
Term bonds, due 2047, interest from 1.60% to 1.70%	15,560,000
2017 Series 1-B:	
Term bonds, due 2052, interest at 4.20%	1,725,000
2017 Series 2-T:	
Serial bonds, due 2018 to 2028, interest from 1.50% to 3.639%	10,165,000
Term bonds, due 2032 interest at 4.069%	3,900,000
	14,065,000
2017 Series 3-T:	
Term bonds, due 2020, interest at variable rate	7,600,000
2017 Series 4-A:	
Term bonds, due 2056, interest from 1.85% to 1.95%	17,585,000
2017 Series 4B:	
Serial bonds, due 2020 to 2028, interest from 1.85% to 3.05%	2,725,000
Term bonds, due 2032 to 2037, interest from 3.35% to 3.80%	31,620,000
	34,345,000
Unamortized bond discount	(38,199)
Subtotal	269,231,801
Multi-Family Mortgage Revenue Bonds:	
Series 2006 (University Heights Project):	
Term bonds, due 2039, interest at variable rate	26,700,000
Series 2006 (Sutterfield Project):	
Term bonds, due 2039, interest at variable rate	7,000,000
Series 2006 (The Groves):	
Term bonds, due 2040, interest at variable rate	27,450,000
Series 2015 (Charles Place):	
Note payable, due 2045, interest at 4.16%	24,988,287

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Series 2016 (EPN):	3,500,000
Note payable, due 2019, interest at variable rate	15,700,000
Note payable, due 2049, interest at variable rate	19,200,000
Series 2017 (Colony House):	
Note payable, due 2050, interest at variable rate	13,864,500
Series 2017 (Lippitt Mill Apartments):	
Note Payable, due 2035, interest at variable rate	2,475,610
Series 2017A-B (Oxford Place Gardens)	
Revenue bonds, due 2020, interest at variable rate	1,980,906
Revenue bond, due 2035, interest at variable rate	3,132,300
	5,113,206
Subtotal	126,791,604
Total Multi-Family Fund	513,634,942
Total Bonds and Notes Payable	\$1,352,982,228

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At March 31, 2018, the Corporation may borrow up to a maximum of \$110,000,000 under various revolving loan agreements expiring between August 2018 and November 2019. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of \$11,000,000, has a variable interest rate, which was 3.13% at March 31, 2018. The outstanding remaining lines of credit of \$33,009,000 have fixed rates which range from 1.956% - 3.202% at March 31, 2018.

Homeownership Opportunity Bonds Series 46-T, 48-T, 63-T and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established monthly or quarterly, which range from 1.925% - 2.564% at March 31, 2018. Homeownership Opportunity Bonds Series HOB 66-B and certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from 1.640% - 3.980% at March 31, 2018. One bond bears interest daily with a rate of 3.548% at March 31, 2018.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

7. Commitments and Contingencies

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying combining statement of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Total credit exposure as a result of loan commitments at March 31, 2018 is as follows:

Operating Fund	\$ 75,579,145
Single Family Fund	56,703
Multi-Family Fund	14,147,101
Trust	615,981
Total	<u>\$ 90,398,930</u>

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's creditworthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next seven years for a total of \$4,761,583 subject to the availability of funds. As of March 31, 2018, \$2,776,534 has been paid under these contracts.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before March 31, 2018, because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

The State of Rhode Island has proposed a budget which includes a transfer from Rhode Island Housing of \$6,000,000 by June 30, 2018 and \$5,000,000 by June 30, 2019. The Rhode Island General Assembly has not yet approved the budget.

8. Derivative Instruments

In July 2013, the Corporation converted its loan funding platform from a mortgage revenue bond program to a program primarily financed through the sale of whole loans and mortgage-backed securities guaranteed by FNMA and GNMA as to timely payment of principal and interest. The securities represent pools of qualified first mortgage loans originated by Rhode Island Housing approved lenders. Under this program, the Corporation periodically enters into forward contracts to sell the securities to investors before the securities are ready for delivery (referred to as a “to-be-announced” or “TBA Mortgage-Backed Security Contract”). The Corporation enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. TBA Mortgage-Backed Security Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Corporation and the investor enter into the transaction: settlement factors; the reference rates or interest rates the security will bear; and notional amounts in the form of the principal amount of the future Mortgage-Backed Securities. In addition, payment to Rhode Island Housing by the investor is not required until the investor receives the security, enabling the investor to take a position on interest rates without making a payment. Finally, the TBA Mortgage-Backed Security Contracts may be “net settled” because neither party is required to deliver or purchase an asset to settle the TBA Mortgage-Backed Securities Contract.

At March 31, 2018, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$56,533,685 and fair market values totaling \$58,355,685 were outstanding, resulting in a hedging instrument of \$1,822,000. The contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statement of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$17,500,000 and fair market values totaling \$17,838,201, resulting in a hedging instrument of \$338,201. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the nine months ended March 31, 2018, totaled \$1,083,019. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of March 31, 2018, the plan included 30 retirees, 26 of which are receiving benefits, and 239 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. For the nine months ended March 31, 2018, plan members receiving benefits contributed \$17,379 as their required contribution.

The annual OPEB cost and related information for the nine months ended March 31, 2018, are as follows:

Annual required contribution (ARC)	\$ 498,594
Interest on OPEB obligation	141,876
Adjustments to ARC	<u>(138,213)</u>
Annual OPEB cost	502,257
Net estimated employer contributions	<u>(60,025)</u>
Increase (decrease) in net OPEB obligation	442,232
Net OPEB obligation, beginning of period	<u>4,729,231</u>
Net OPEB obligation, end of period	<u>\$ 5,171,463</u>
Percent of annual OPEB cost contributed	12.0%

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

The net OPEB obligation is reported in accounts payable and accrued liabilities in the Corporation's combining statements of net position. The Corporation's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$ 386,364	\$ 31,777	8.2%	\$ 3,706,672
June 30, 2016	507,322	56,248	11.1%	4,157,746
June 30, 2017	649,726	78,241	12.0%	4,729,231

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$5,680,026 as of June 30, 2017, the most recent valuation date. The ratio of the unfunded accrued liability to covered payroll of \$10,264,399 is 55%.

Actuarial Methods and Assumptions

The Individual Entry Age Normal Cost Method is used to calculate the ARC for the Corporation's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and the Corporation's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 2.50% inflation rate, an investment rate of return of 4.00%, payroll growth of 3.00% and a 30-year open amortization period. The actuarial cost method used was the Individual Entry Age Normal Cost Method and the Level as a percentage of employee payroll was the amortization method used. The initial annual healthcare cost trend rate used (Pre-65) was 7.50%, declining to an ultimate rate of 4.75% after 13 years. The initial annual healthcare cost trend rate used (Post-65) was 5.75%, declining to an ultimate rate of 4.25% after 10 years.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Nine Months Ended March 31, 2018

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contribution of the Corporation's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding:

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
April 1, 2018	Homeownership Opportunity Bonds	\$ 29,085,000
April 1, 2018	Multi-Family Development Bonds	\$ 25,480,000
April 1, 2018	Home Funding Bonds	\$ 9,285,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
March 31, 2018

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Totals
Assets			
Loans receivable	\$ 605,598,917	\$ 35,951,047	\$ 641,549,964
Less allowance for loan losses	(10,384,850)	-	(10,384,850)
Loans receivable, net	595,214,067	35,951,047	631,165,114
Investments	10,860,787	56,275,459	67,136,246
Accrued interest-loans	2,000,935	113,145	2,114,080
Accrued interest-investments	24,667	180,110	204,777
Cash and cash equivalents	95,441,078	16,917,959	112,359,037
Other assets, net	4,620,904	104,596	4,725,500
Interfund receivable	(22,133)	18,597	(3,536)
Total assets	708,140,305	109,560,913	817,701,218
Deferred Outflows of Resources			
Loan origination costs	4,564	-	4,564
Total Deferred outflows of resources	4,564	-	4,564
Combined Assets and Deferred Outflows of Resources	\$ 708,144,869	\$ 109,560,913	\$ 817,705,782
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 561,422,082	\$ 102,523,331	\$ 663,945,413
Accrued interest payable on bonds and notes	8,981,773	1,643,080	10,624,853
Fees, net	152,856	-	152,856
Total liabilities	570,556,711	104,166,411	674,723,122
Net Position			
Net position, restricted	137,588,158	5,394,502	142,982,660
Total Liabilities and Net Position	\$ 708,144,869	\$ 109,560,913	\$ 817,705,782

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Nine Months Ended March 31, 2018

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Total
Operating revenues:			
Interest income on loans	\$ 20,602,122	\$ 1,126,401	\$ 21,728,523
Earnings on investments:			
Interest on investments	930,226	1,881,929	2,812,155
Net decrease in fair value of investments	(276,504)	(1,789,196)	(2,065,700)
Total operating revenues	21,255,844	1,219,134	22,474,978
Operating expenses:			
Interest expense	12,831,158	2,418,878	15,250,036
Provision for loan losses	900,000	-	900,000
REO expenditures	(34,885)	6,201	(28,684)
Depreciation and amortization of other assets	3,206	3,816	7,022
Loan costs	193	-	193
Total operating expenses	13,699,672	2,428,895	16,128,567
Operating income (loss)	7,556,172	(1,209,761)	6,346,411
Transfers in (out)	-	-	-
Total change in net position	7,556,172	(1,209,761)	6,346,411
Net position, beginning of period	130,031,986	6,604,263	136,636,249
Net position, end of period	\$ 137,588,158	\$ 5,394,502	\$ 142,982,660

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
March 31, 2018

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Assets			
Loans receivable	\$ -	\$ 32,865,447	\$ 126,791,603
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>-</u>	<u>32,865,447</u>	<u>126,791,603</u>
Investments	-	1,793,400	-
Accrued interest-loans	-	208,145	424,515
Accrued interest-investments	1,618	32,840	-
Cash and cash equivalents	-	5,917,351	5,015,835
Accounts receivable	-	-	-
Total assets	<u>1,618</u>	<u>40,817,183</u>	<u>132,231,953</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 1,618</u>	<u>\$ 40,817,183</u>	<u>\$ 132,231,953</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ -	\$ 29,961,538	\$ 126,791,603
Accrued interest payable on bonds and notes	-	132,126	335,199
Accounts payable and accrued liabilities	-	-	-
Escrow deposits	-	-	5,068,649
Total liabilities	<u>-</u>	<u>30,093,664</u>	<u>132,195,451</u>
Net Position			
Net position, restricted	<u>1,618</u>	<u>10,723,519</u>	<u>36,502</u>
Total Liabilities and Net Position	<u>\$ 1,618</u>	<u>\$ 40,817,183</u>	<u>\$ 132,231,953</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
March 31, 2018

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Fund Total
Assets			
Loans receivable	\$ 87,515,200	\$ 264,727,992	\$ 511,900,242
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>87,515,200</u>	<u>264,727,992</u>	<u>511,900,242</u>
Investments	-	7,220,139	9,013,539
Accrued interest-loans	465,849	1,354,527	2,453,036
Accrued interest-investments	-	46,751	81,209
Cash and cash equivalents	9,792,807	61,048,064	81,774,057
Interfund receivable (payable)	-	-	-
Total assets	<u>97,773,856</u>	<u>334,424,380</u>	<u>605,248,990</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 97,773,856</u>	<u>\$ 334,424,380</u>	<u>\$ 605,248,990</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 87,650,000	\$ 269,231,801	\$ 513,634,942
Accrued interest payable on bonds and notes	1,461,425	4,152,357	6,081,107
Accounts payable and accrued liabilities	-	167,102	167,102
Escrow deposits	-	11,790,000	16,858,649
Total liabilities	<u>89,111,425</u>	<u>285,341,260</u>	<u>536,741,800</u>
Net Position			
Net position, restricted	<u>8,662,431</u>	<u>49,083,120</u>	<u>68,507,190</u>
Total Liabilities and Net Position	<u>\$ 97,773,856</u>	<u>\$ 334,424,380</u>	<u>\$ 605,248,990</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Nine Months Ended March 31, 2018

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Operating revenues:			
Interest income on loans	\$ -	\$ 1,740,701	\$ 2,681,203
Earnings on investments:			
Interest on investments	916	74,672	-
Net increase (decrease) in fair value of investments	-	(88,831)	-
Total operating revenues	916	1,726,542	2,681,203
Operating expenses:			
Interest expense	-	298,595	2,324,041
Other administrative expenses	-	1,837	-
Bond issuance costs	-	-	-
Arbitrage rebate	-	134,712	-
Loan costs	-	73,625	-
Total operating expenses	-	508,769	2,324,041
Operating income	916	1,217,773	357,162
Transfers in (out)	(916)	(1,726,375)	(255,066)
Total change in net position	-	(508,602)	102,096
Net position, beginning of period	1,618	11,232,121	(65,594)
Net position, end of period	\$ 1,618	\$ 10,723,519	\$ 36,502

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Nine Months Ended March 31, 2018

	<u>Multi-Family Funding Bond Program</u>	<u>Multi-Family Development Bonds</u>	<u>Multi-Family Total</u>
Operating revenues:			
Interest income on loans	\$ 4,204,976	\$ 11,513,288	\$ 20,140,168
Income on investments:			
Earnings on investments	62,404	432,523	570,515
Net increase (decrease) in fair value of investments	-	(110,067)	(198,898)
Total operating revenues	<u>4,267,380</u>	<u>11,835,744</u>	<u>20,511,785</u>
Operating expenses:			
Interest expense	2,195,895	6,088,094	10,906,625
Other administrative expenses	-	-	1,837
Bond issuance costs	-	12,020	12,020
Arbitrage rebate	-	-	134,712
Loan costs	110,889	408,630	593,144
Total operating expenses	<u>2,306,784</u>	<u>6,508,744</u>	<u>11,648,338</u>
Operating income	1,960,596	5,327,000	8,863,447
Transfers in (out)	(1,689,111)	56,845	(3,614,623)
Total change in net position	271,485	5,383,845	5,248,824
Net position, beginning of period	8,390,946	43,699,275	63,258,366
Net position, end of period	<u>\$ 8,662,431</u>	<u>\$ 49,083,120</u>	<u>\$ 68,507,190</u>

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL WITH RESPECT TO THE ISSUANCE OF THE SERIES 69 BONDS

September 19, 2018

Rhode Island Housing and Mortgage
Finance Corporation
44 Washington Street
Providence, RI 02903

Dear Commissioners:

We have examined the Constitution and the laws of the State of Rhode Island and Providence Plantations (the “State”) and a record of proceedings relating to the issuance of (a) \$13,850,000 principal amount of Homeownership Opportunity Bonds, Series 69-A (the “Series 69-A Bonds”), (b) \$83,080,000 principal amount of Homeownership Opportunity Bonds, Series 69-B (the “Series 69-B Bonds”; together with the Series 69-A Bonds, the “Series 69 Tax-Exempt Bonds”) and (c) \$8,340,000 principal amount of Homeownership Opportunity Bonds, Series 69-T (the “Series 69-T Bonds” and, collectively with the Series 69-A Bonds and the Series 69-B Bonds, the “Series 69 Bonds”) of the Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”), a public corporation and instrumentality and agency of the State created by and pursuant to Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended (the “Act”), and organized and existing under the Act and the laws of the State.

The Series 69 Bonds are issued pursuant to the Act and a resolution adopted by RIHousing on October 19, 1988, entitled “General Homeownership Opportunity Program Bond Resolution” (the “General Resolution”) as supplemented by a resolution adopted by RIHousing on June 28, 2018 entitled “Series 69 Homeownership Opportunity Program Supplemental Resolution” (the “Supplemental Resolution”) and a Series Certificate of RIHousing delivered pursuant thereto relating to the Series 69 Bonds (the “Series 69 Series Certificate”). The General Resolution, the Supplemental Resolution and the Series 69 Series Certificate are referred to herein, collectively, as the “Resolution.” The Series 69 Bonds and any other bonds which have been or may be issued under the General Resolution are herein called the “Bonds.”

The Series 69 Bonds are dated, will mature on the dates and in the respective principal amounts, bear interest, if any, at the rates, are subject to redemption prior to maturity and are otherwise as described in the Resolution.

The Series 69 Bonds are issued for the purpose of providing funds to refund Bonds currently outstanding under the General Resolution and to provide funds to carry out the Program as described in the Resolution, including, among other things, the financing of loans for residential housing within the State for persons and families of lower and moderate incomes and payment of certain costs of RIHousing in connection with the Program. RIHousing is authorized to issue Bonds, in addition to the Series 69 Bonds, upon the terms and conditions as set forth in the General Resolution, and such Bonds, when issued, shall, with the Series 69 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the delivery of the Series 69 Tax-Exempt Bonds in order that interest on the Series 69 Tax-Exempt Bonds shall be excluded from gross income for federal income tax purposes under Section 103 of the Code. RIHousing has covenanted in the Resolution to comply with applicable requirements of the Code and for such purpose, to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by RIHousing with and enforcement by RIHousing of the Resolution.

We are of the opinion that:

1. Under the Constitution and laws of the State, RIHousing has been duly created and validly exists, and RIHousing has good, right and lawful authority, among other things, to carry out its Program (as such term is defined in the Resolution), to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the Series 69 Bonds, and to perform its obligations under the terms and conditions of the Resolution.

2. The Resolution has been duly adopted by RIHousing, is in full force and effect, and is valid and binding upon RIHousing and enforceable in accordance with its terms.

3. The Series 69 Bonds are valid and legally binding special revenue obligations of RIHousing payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Series 69 Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues and all the Accounts established by the Resolution (except the Rebate Account) (as such terms are defined in the Resolution), which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

5. The State is not liable on the Series 69 Bonds, and the Series 69 Bonds are not a debt of the State. Neither the faith, credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Series 69 Bonds.

6. Under existing statutes and court decisions, assuming continuing compliance by RIHousing with the Resolution and the covenants contained therein concerning federal tax law described above, interest on the Series 69 Tax-Exempt Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; provided, however that (i) interest on the Series 69-A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals, corporations and other taxpayers and (ii) interest on the Series 69-B Bonds will not be treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals, corporations and other taxpayers and is not included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on such corporations. No opinion as to the exclusion from gross income of interest on any of the Series 69 Tax-Exempt Bonds is expressed subsequent to any date on which action is taken pursuant to the Resolution for which action the Resolution requires a legal opinion to the effect that taking such action will not adversely affect such exclusion, should the undersigned not deliver an opinion as of such date to such effect.

7. Interest on the Series 69-T Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes.

8. Under the Act, income on the Series 69 Bonds (including profit on the sale thereof) is free from Rhode Island personal income taxes.

In rendering this opinion, we are advising you that the enforceability of the Series 69 Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principle of equity or at law.

We have examined an executed Series 69-A Bond, Series 69-B Bond and Series 69-T Bond and, in our opinion, the forms of such bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX E

SUMMARY OF OUTSTANDING BOND INDEBTEDNESS OF RIHOUSING

The following table sets forth the original and outstanding amounts of RIHousing's bonds as of March 31, 2018:

	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Homeownership Opportunity Bonds			
Series 10-A	09/01/1992	\$ 153,270,000	\$ 995,000
Series 15-A	05/01/1994	51,000,000	490,000
Series 46-T	03/18/2004	15,000,000	15,000,000
Series 48-T	12/09/2004	15,000,000	15,000,000
Series 57-A	09/13/2007	13,410,000	475,000
Series 57-B	09/13/2007	56,590,000	530,000
Series 58-A	11/15/2007	62,620,000	7,345,000
Series 59-A	03/20/2008	23,285,000	1,060,000
Series 61-A	06/06/2012	15,000,000	12,265,000
Series 61-B	06/06/2012	10,000,000	6,755,000
Series 61-C	06/06/2012	37,900,000	17,260,000
Series 62-A	07/03/2012	10,260,000	4,620,000
Series 62-B	07/03/2012	15,000,000	13,640,000
Series 62-C	07/03/2012	60,355,000	20,675,000
Series 63-A	10/25/2012	19,655,000	12,215,000
Series 63-B	10/25/2012	4,000,000	1,690,000
Series 63-C	10/25/2012	16,295,000	10,835,000
Series 63-T	10/31/2012	25,000,000	22,715,000
Series 64-T	12/19/2013	84,195,000	37,770,000
Series 65-T	10/30/2014	86,505,000	65,065,000
Series 66-A1	07/08/2015	26,370,000	18,920,000
Series 66-A2	07/08/2015	10,385,000	5,820,000
Series 66-B	07/22/2015	15,000,000	15,000,000
Series 66-C2	07/08/2015	22,225,000	18,815,000
Series 67-A	05/16/2016	5,610,000	5,445,000
Series 67-B	05/16/2016	11,650,000	10,020,000
Series 67-C	05/16/2016	35,405,000	31,820,000
Series 68-A	10/14/2016	3,375,000	440,000
Series 68-B	10/14/2016	40,000,000	39,365,000
Series 68-C	10/14/2016	149,730,000	142,510,000
Unamortized bond premium			6,867,082
		<u>\$1,094,090,000</u>	<u>\$561,422,082</u>
Home Funding Bonds and Notes:			
Series 1-A	12/23/2009	\$ 30,000,000	\$ 3,770,000
Series 2, Subseries 2-A	12/21/2009	30,000,000	16,915,000
Series 2, Subseries 2-B	12/21/2009	21,000,000	14,690,000
Series 2, Subseries 2-C	12/21/2009	32,000,000	25,030,000
Series 3	11/04/2010	20,000,000	7,745,000
Series 4	09/29/2011	14,000,000	6,310,000
Series 5	12/20/2012	39,840,000	27,540,000
Unamortized bond premium			523,331
		<u>\$186,840,000</u>	<u>\$102,523,331</u>

	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Housing Bonds			
2001 Series B-2T	12/13/2001	\$18,605,000	\$ 3,060,000
2003 Series A-2T	03/12/2003	26,660,000	18,590,000
2003 Series B-2T	08/20/2003	16,435,000	8,400,000
Unamortized bond discount			(88,462)
		\$61,700,000	\$29,961,538
Multi-Family Funding Bonds			
Series 2009A, Subseries 2009A-1	12/21/2009	\$ 51,000,000	\$51,000,000
Series 2009A, Subseries 2009A-2	12/21/2009	65,100,000	14,100,000
Series 2010A	12/16/2010	21,310,000	18,240,000
Series 2011A	12/08/2011	5,040,000	4,310,000
		\$142,450,000	\$87,650,000
Multi-Family Development Bonds			
2010 Series 1	12/22/2010	\$ 11,235,000	\$ 710,000
2013 Series 1-AB	02/20/2013	43,520,000	33,830,000
2013 Series 2-T	02/20/2013	55,760,000	48,705,000
2013 Series 3-B-D	12/24/2013	31,505,000	25,380,000
2013 Series 4-T	12/24/2013	8,370,000	2,060,000
2014 Series 2-T	12/30/2014	18,930,000	15,315,000
2014 Series 3-A	01/29/2015	2,100,000	855,000
2014 Series 3-B	01/29/2015	15,700,000	15,485,000
2016 Series 1-B	03/31/2016	16,900,000	16,870,000
2016 Series 1-C	03/31/2016	19,625,000	19,180,000
2017 Series 1-A	04/27/2017	15,560,000	15,560,000
2017 Series 1-B	04/27/2017	1,725,000	1,725,000
2017 Series 2-T	04/27/2017	14,400,000	14,065,000
2017 Series 3-T	04/27/2017	7,600,000	7,600,000
2017 Series 4-A	12/21/2017	17,585,000	17,585,000
2017 Series 4-B	12/21/2017	34,345,000	34,345,000
Unamortized bond discount			(38,199)
		\$314,860,000	\$269,231,801
Multi-Family Mortgage Revenue Bonds			
2006 Series (University Heights Project)	03/31/2006	\$ 26,700,000	\$ 26,700,000
2006 Series (Sutterfield Project)	03/31/2006	7,000,000	7,000,000
2006 Series (The Groves)	09/21/2006	35,000,000	27,450,000
2015 Series (Charles Place)	03/31/2015	26,010,000	24,988,287
2016 Series (EPN)	05/25/2016	12,724,909	19,200,000
2017 Series (Colony House)	03/31/2017	13,864,500	13,864,500
2017 Series (Oxford Place Gardens - A)	12/27/2017	3,132,300	3,132,300
2018 Series (Oxford Place Gardens - B)	12/27/2017	8,717,700	1,980,907
2017 Series (Lippitt Mill)	12/29/2017	9,000,000	2,475,610
		\$142,149,409	\$126,791,604
General Obligation Bonds Series 2013	11/01/2013	\$5,000,000	\$5,000,000
Total		\$1,947,089,409	\$1,182,580,356

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various definitions, covenants and security provisions certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made and copies of which are available from RIHousing or the Trustee.

Certain Definitions

In the Bond Resolution and this Official Statement, unless the context otherwise requires, the following words and terms have the following meanings:

“Account” means one or more, as the case may be, of the special accounts created and established pursuant to the Bond Resolution.

“Accountant” means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by RIHousing and may be the accountant or firm of accountants who regularly audit the books and accounts of RIHousing.

“Act” means Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956, (98 Reenactment) as amended.

“Aggregate Debt Service” means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service of such Fiscal Year with respect to all series.

“Appreciation Bond” means any Bond whose Issuance Amount is less than 97.5% of the Maturity Amount.

“Authorized Newspapers” means not less than two newspapers or financial journals, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, one of which is of general circulation in the City of Providence and the other of which is of general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Officer” means the Chairman, Executive Director and Chief Financial Officer of RIHousing and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of RIHousing then authorized to perform such act or discharge such duty.

“Bond” means one of the bonds to be authenticated and delivered pursuant to the Bond Resolution, including any additional or Refunding Bonds issued thereunder.

“Bond Counsel” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by RIHousing and satisfactory to the Trustee.

“Bond Depository” means a Bondholder acting as a central securities depository as provided in the Bond Resolution.

“Bondholder” or “holder” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

“Business Day” means any day of the week other than (i) a Saturday or Sunday or (ii) a day which shall be in the State a legal holiday or a day on which banking institutions in the State are authorized or obligated by law or executive order to close.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guarantee or other security arrangement (as defined and provided for in a Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from each Rating Agency which would not impair the then existing rating on the Bonds or whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the Cash Equivalent has a term of less than twelve months) by each Rating Agency.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Bond Resolution or (ii) the report of an accountant as to audit or other procedures called for by the Bond Resolution.

“Compounded Amount” means as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by RIHousing in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to the Bond Resolution, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to the Bond Resolution. Any determination of Compounded Amount shall assume straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

“Corporation” means the Rhode Island Housing and Mortgage Finance Corporation, a public corporation and governmental instrumentality created and established under the laws of the State, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of RIHousing.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to RIHousing and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, accrued interest in connection with the financing of any Program Obligation and any other cost, charge or fee in connection with the original issuance of Bonds.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys selected by RIHousing and may include an individual in the regular employ of RIHousing.

“Covenant Default” means a default of the type specified in paragraph (c) under **“SUMMARY OF CERTAIN PROVISION OF THE BOND RESOLUTION — Events of Default.”**

“Current Interest Bonds” means Bonds which provide for the payment of interest other than at maturity and which is not an Appreciation Bond.

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

“Debt Service Reserve Account” means the Debt Service Reserve Account established pursuant to the Bond Resolution.

“Debt Service Reserve Account Requirement” means, as of any date of calculation, the greater of (a) an amount equal to the aggregate of the respective amounts for each Series established in the Supplemental Resolution authorizing such Series or (b) an amount equal to 3% of the then current principal balance of all Program Loans (but not Program Securities) plus any other amount on deposit in the Loan Account which has not been designated to provide for Costs of Issuance or capitalized interest provided in the Bond Resolution. In evaluating compliance with the Debt Service Reserve Account Requirement, there shall be taken into account any amount provided in a Supplemental Resolution to be deposited in the Debt Service Reserve Account from amounts on deposit in the Loan Account.

“Depository” means any bank or trust company or national banking association selected by RIHousing or the Trustee as a depository of moneys or securities held under the provisions of the Bond Resolution and may include the Trustee or any Paying Agent.

“Event of Default” means any of the events of default specified in the Bond Resolution and described under **“SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Events of Default.”**

“Federal Mortgage Agency” means the Government National Mortgage Association, Fannie Mae and the Federal Home Loan Mortgage Corporation.

“Fiduciary” means the Trustee and any Paying Agent, or any or all of them.

“Final Compounding Date” means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a periodic basis.

“Fiscal Year” means a twelve-month period commencing on the first day of July of any year.

“Government Obligations” means obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury).

“Internal Rate of Return” when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to the Bond Resolution and compounded semi-annually or as otherwise provided in a Supplemental Resolution results in an amount, as of the Final Compounding Date, equal to the amount payable on such bond at maturity exclusive of interest, if any, on each Interest Payment Date therefor on such Bond which is payable on the Interest Payment Dates therefor.

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

(1) either Government Obligations or obligations, rated by each Rating Agency in highest rating category, of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of such Government Obligations;

(2) (A) bonds, debentures or other obligations issued by Student Loan Marketing Association, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal

Home Loan Banks, Tennessee Valley Authority, the United States Postal Service, Federal Farm Credit System Obligations, Export Import Bank, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by any Federal Mortgage Agency (excluding Program Securities which are valued greater than par on the portion of unpaid principal or Program Securities which represent payments of principal only or interest only with respect to the underlying Mortgage loans);

(3) any obligations of an agency controlled or supervised by or acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States;

(4) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, "deposits" shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by any of the obligations described in (1) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by RIHousing and in either case made with an institution whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(5) repurchase agreements with any institution whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency and (A) backed by or related to obligations described in (1), (2) or (3) above or (B) having a term not exceeding three years and entered into with such party or parties and on such terms and conditions as shall not impair the then existing rating on the Bonds by each Rating Agency;

(6) investment agreements, (A) with any institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency and secured or unsecured as required by RIHousing, or (B) fully secured by obligations described in (1), (2) or (3) above having a term not exceeding three years and entered into with such party or parties and on such terms and conditions as shall not impair the then existing rating on the Bonds by each Rating Agency;

(7) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligation may be subject to annual appropriations, which obligations are rated at least the then existing rating on the Bonds by each Rating Agency;

(8) direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or agency thereof, which obligations are rated in either of the two highest rating categories of each Rating Agency;

(9) bonds, debentures, or other obligations issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), provided, that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the

payment of public and private debts, and (b) rated in either of the two highest rating categories of each Rating Agency;

(10) commercial paper (having original maturities of not more than 365 days) rated in the highest category of each Rating Agency;

(11) money market funds which invest in Government Obligations and obligations of agencies of the United States of America and which funds have been rated in either of the two highest rating categories by each Rating Agency; or

(12) any investments authorized in a Supplemental Resolution.

Provided, that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Bond Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted which the Board of Commissioners of RIHousing deems from time to time to be in the interests of RIHousing to include as Investment Securities if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then existing rating assigned to them by each Rating Agency.

For purposes of this definition, (i) “institution” means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation thereof and (ii) “short term” refers to an obligation having a term of twelve months or less.

“Issuance Amount” means, with respect to any particular Bond, the price, exclusive of accrued interest (if any) payable within the next twelve months, at which such Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance of the Series which such Bond is a part of pursuant to the Bond Resolution, which shall be set forth in a Supplemental Resolution or Series Certificate and shall be exclusive of underwriter’s compensation, commissions, placement agent’s fees, concessions, Costs of Issuance or similar costs.

“Loan Account” means the Loan Account established in the Bond Resolution.

“Maturity Amount” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on the Interest Payment Dates therefor.

“Mortgage Revenues” means all payments, proceeds, rents, premiums, penalties, charges and other cash income received by RIHousing from or on account of any Program Obligation (including scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder) but excludes (i) any amount retained by a servicer (other than RIHousing) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (ii) any payments for the guaranty or insurance of any Program Obligation, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Obligation, (iv) amounts payable with respect to a Program Loan which represent a return on amounts financed by RIHousing or by other persons pursuant to a participation, forbearance or other arrangement from sources other than proceeds of Bonds or other amounts held under the Bond Resolution and (v) to the extent such items do not exceed the income derived therefrom payments or charges constituting expenses of managing and maintaining property acquired pursuant to a Program Obligation.

“Non–Mortgage Receipts” means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Account (except the Rebate Account), but does not include Mortgage Revenues.

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

- (1) any Bond cancelled by RIHousing or delivered to RIHousing for cancellation at or prior to such date;
- (2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Account under the Bond Resolution either:
 - (a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;
 - (b) Investment Securities, as specified in the Bond Resolution and described under “**SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Defeasance,**” in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or
 - (c) any combination of (a) and (b) above;
- (3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Bond Resolution; and
- (4) any Bond deemed to have been paid as provided in the Bond Resolution and described under “**SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Defeasance.**”

“Paying Agent” means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the Bond Resolution.

“Permitted Encumbrances” means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to RIHousing, indemnity has been provided or similar steps to secure the interest of RIHousing have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as RIHousing shall determine do not impair the use or value of the premises.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in the Bond Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the

redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

“Program” means the program for the financing of loans for residential housing (including land or improvements being financed for residential housing purposes generally) established by RIHousing pursuant to the Act, as the same may be amended from time to time consistent with the Bond Resolution but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to the Bond Resolution.

“Program Expenses” means, except as limited pursuant to a Supplemental Resolution, all of RIHousing’s expenses in carrying out and administering its Program and servicing Program Obligations under the Bond Resolution and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses (including remarketing services with respect to the Bonds), fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, and payments for insurance against losses on the pool of Program Obligations, all to the extent properly allocable to the Program. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by RIHousing and amounts appropriate to reimburse RIHousing for Program Expenses paid from other sources.

“Program Loan” means a loan for Residential Housing secured (i) by a first lien, coordinate lien or second lien on real property (including such interests therein as are permitted pursuant to the Bond Resolution); (ii) by a pledge of a leaseholder’s share in a cooperative housing corporation and an assignment of the proprietary lease appurtenant thereto; or (iii) in the case of a loan for home improvements which is insured under Title I of the National Housing Act or under a program of self insurance established by RIHousing, by a third lien.

“Program Obligation” means any Program Loan or Program Security acquired by RIHousing by the expenditure of amounts in the Loan Account.

“Program Security” means an obligation representing an undivided interest in a pool of loans, to the extent the payments to be made on such obligation are guaranteed by a Federal Mortgage Agency.

“Rating Agency” means, to the extent that such entity maintains a current rating on the Bonds, S&P Global Ratings and Moody’s Investors Service.

“Rebate Account” means the Rebate Account established pursuant to the Bond Resolution.

“Recoveries of Principal” means all amounts received by RIHousing as a recovery of the principal amount disbursed by RIHousing in connection with any Program Loan including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Program Obligation, (ii) the sale, assignment, endorsement or other disposition thereof including repurchase by the originating lender, (iii) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (iv) proceeds of federal mortgage insurance, (v) the net proceeds of hazard or title insurance or of condemnation of the subject property or (vi) any other payment with respect to a Program Obligation which has been designated as a Recovery of Principal in a Series Certificate.

“Redemption Account” means the Redemption Account which is established and created in the Revenue Account pursuant to the Bond Resolution.

“Redemption Date” means the date upon which Bonds are to be called for redemption pursuant to the Bond Resolution.

“Redemption Price” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Refunding Bond” means any Bond authenticated and delivered on original issuance pursuant to the Bond Resolution, the proceeds of which are used to pay Principal Installments and/or the principal portion of the Redemption Price of Bonds or Bonds thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to the Bond Resolution.

“Residential Housing” means Residential Housing as defined in the Act.

“Revenue Account” means the Revenue Account established pursuant to the Bond Resolution.

“Revenues” means, upon receipt thereof by RIHousing, all Mortgage Revenues and Non-Mortgage Receipts.

“Security Instrument” means an instrument securing a Program Loan, including, without limitations, a mortgage deed, pledge, security agreement or assignment of real or personal property, including shares of stock or membership certificates in a cooperative or similar entity and proprietary or other leases.

“Series” means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as provided in the Bond Resolution.

“Series Certificate” means a Certificate relating to the funding or investment of Accounts or any Series Program Determinations in connection with a Series of Bonds and shall include a statement that the matters provided therein have been reviewed with each Rating Agency and will not result in a reduction in the then current rating on the Bonds.

“Series Program Determinations” means determinations by RIHousing relating to Program Loans and certain other matters in connection with a Series of Bonds under the Program to be set forth (or provision to be determined at certain specified times in the future) in a Supplemental Resolution and shall include the following: (i) the type of Security Instrument which will secure each Program Loan and whether such Security Instrument shall be a first lien, coordinate first lien, second lien or third lien or a combination thereof; (ii) whether each Program Loan shall have approximately equal monthly payments or shall be a graduated payment loan or have a fixed or variable rate of interest; (iii) the maximum term to maturity of each Program Loan; (iv) whether the property to be financed with each Program Loan shall be a principal residence and any limitations with respect to newly constructed residences; (v) required credit standards and other terms of primary mortgage insurance, if any, and the levels of coverage thereof, and applicable loan to value ratios, if appropriate; (vi) limitations, if any, applicable to purchases of Mortgage Loans relating to condominiums and/or cooperatives, geographic concentration, and type of principal and interest characteristics; (vii) provisions relating to Supplemental Mortgage Coverage, if appropriate; (viii) provisions, relating to Recoveries of Principal, including application thereof for redemption or financing new Program Loans; (ix) terms of investment, if any, with respect to the Debt Service Reserve Account; (x) maximum Costs of Issuance and Program Expenses for such Series to be paid for from amounts held under the Bond Resolution; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Program Loans; and (xii) any other provision deemed advisable by RIHousing not in conflict with the Bond Resolution; provided that RIHousing may permit any of the above determinations to be applied to any portion of the proceeds of a Series to be established by a Certificate of an Authorized Officer to be delivered to the Trustee prior to the date

that such proceeds are applied to the financing of Program Obligations, together with evidence that such determinations do not affect the then current rating on the Bonds.

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

“State” means the State of Rhode Island and Providence Plantations.

“Supplemental Mortgage Coverage” means the coverage, if any, whether in the form of insurance, Cash Equivalents or additional pledged funds of loss from Mortgage Loan defaults provided in a Series Resolution which supplements any primary mortgage insurance. RIHousing does not currently require any Supplemental Mortgage Coverage for Mortgage Loans and does not expect to specify any Supplemental Mortgage Coverage requirement for future series of Bonds.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the Bond Resolution, adopted by RIHousing and effective in accordance with the Bond Resolution, and includes any Series Certificate delivered pursuant thereto.

“Trustee” means Citizens Bank of Rhode Island, Providence, Rhode Island, and its successor or successors and any other person at any time substituted in its place pursuant to the Bond Resolution.

Contract with Bondholders

The Bond Resolution is a contract among RIHousing, the Trustee and the holders of the Bonds and its provisions are for the equal benefit, protection and security of the holders of any and all of such Bonds.

Provisions for Issuance of Bonds

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

- (1) An opinion of Bond Counsel to the effect that the Bonds of such Series upon delivery will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Bond Resolution;
- (2) The amount of the proceeds of such Series to be deposited in any Account held by the Trustee pursuant to the Bond Resolution;
- (3) Except in the case of the Series 1 Bonds and any refunding issue, a Certificate of an Authorized Officer stating that the conditions for the issuance of additional obligations have been met; and
- (4) Except in the case of an issue consisting entirely of Refunding Bonds, a Certificate stating that RIHousing’s expectations with respect to the application and use of the proceeds of such Series are consistent with RIHousing’s covenant regarding the sufficiency of Revenues and other funds to provide for the payment of Debt Service and Program Expenses, as of the date of such delivery, and any information required to be filed with the Trustee upon deposit of amounts in the Loan Account pursuant to the Bond Resolution.

Provisions for Refunding Issues

One or more Series of Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the payment or redemption of all the Bonds to be refunded and the payment or redemption dates, if any, and if the Bonds to be refunded are to be redeemed subsequent to the next succeeding forty-five days, irrevocable instructions to give published notice of the call for redemption of such Bonds and either (i) moneys sufficient to effect payment or redemption at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the due date or the Redemption Date, or (ii) Investment Securities, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in trust under the Bond Resolution.

Application of Bond Proceeds

As soon as practicable upon the delivery of each Series of Bonds, other than Refunding Bonds, the amounts, if any, necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Bonds, are required to be deposited in the Debt Service Reserve Account. The balance remaining after such deposits have been made is required to be deposited in the Loan Account.

Deposits and Investments

All amounts held by the Trustee or under its control pursuant to the Bond Resolution may be deposited or invested in Investment Securities. In computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made semi-annually and at any other time amounts on deposit in any Account are required to be determined under the Bond Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

Establishment of Accounts

The Bond Resolution establishes the following Accounts which are to be held by the Trustee:

- (1) Loan Account.
- (2) Revenue Account.
- (3) Redemption Account.
- (4) Debt Service Reserve Account.
- (5) Rebate Account.

Loan Account

Proceeds of a Series of Bonds are required to be deposited in the Loan Account established for such Series. Amounts in the Loan Account may be expended only to pay the cost of financing Program Obligations, to pay Costs of Issuance, to make deposits in the Revenue Account representing capitalized

interest, to redeem Bonds, to provide for the payment of accrued interest with respect to Program Obligations to be financed under the Bond Resolution and to make deposits in the Revenue Account upon delivery to the Trustee of a Certificate of an Authorized Officer.

No amount in the Loan Account shall be expended or applied for the purpose of financing Program Obligations except upon compliance with the provisions of the Bond Resolution.

No Program Security shall be financed unless the Program Security is registered in the name of the Trustee or is registered in the name of RIHousing and delivered to the Trustee with a written assignment thereof to the Trustee pursuant to the Bond Resolution from and after the date such Program Security is financed under the Bond Resolution. In addition, no Program Security shall be financed unless such Program Security represents a pass through or participation interest in a pool of Program Securities and provides for a guaranty of any payments to be made to RIHousing thereunder by a Federal Mortgage Agency.

No Program Loan shall be financed unless a promissory note shall have been executed to evidence the Program Loan and a Security Instrument securing such Program Loan shall have been executed and recorded, filed or otherwise perfected in accordance with the requirements of existing laws and (except to the extent that a variance is permitted by RIHousing or required or permitted by any agency or instrumentality of the United States of America insuring or guaranteeing the payment of a Program Loan):

(1) the Security Instrument shall constitute and create a first lien, coordinate first lien, second lien, or third lien, subject only to Permitted Encumbrances, and such lien shall have the priority provided for in the appropriate Series Program Determination;

(2) the borrower shall have warranted generally the title to the property securing the Program Loan, subject to Permitted Encumbrances, and will execute such further assurances as may be required by RIHousing;

(3) provision has been made for the benefit of the mortgagee (or its assigns) that there shall be paid or escrowed all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens now or hereafter assessed or liens on or levied against the premises or any part thereof, and in the case of default in the payment thereof when the same shall be due and payable, it shall be lawful for the mortgagee (or its assigns) without notice to or demand of the borrower, to pay the same or any of them and that the moneys paid by the mortgagee (or its assigns) in discharge of taxes, assessments, water rates, sewer rents and municipal, other charges and fees and prior liens shall be a lien on the premises added to the amount of the Program Loan secured by the Security Instrument and payable on demand with interest (at the rate applicable under the Program Loan), from the time of payment of the same;

(4) the borrower shall have covenanted and represented that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of the residential housing to be financed by such Program Loan;

(5) the borrower shall have covenanted that it will keep or cause to be kept any building on the premises insured against loss by fire and other hazards as required by RIHousing to protect its interest with losses payable to RIHousing as its interest may appear and that the borrower will reimburse the mortgagee (or its assigns) for any insurance premiums paid by the mortgagee (or its assigns) on the borrower's default in so insuring the building or causing the building to be insured;

(6) the borrower shall have covenanted that it will maintain or cause to be maintained the premises in good condition and repair, will not commit or suffer any waste of the premises, and will comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority relating to the premises;

(7) except as provided in paragraph (7–a) below, the borrower shall have delivered to the mortgagee (or its assigns) a policy of title insurance (in standard American Land Title Association form as then in effect in the State) issued by a title insurance company qualified to do business in the State and acceptable to RIHousing insuring the mortgagee (or its assigns) that the Security Instrument is valid and enforceable and in an amount at least equal to the outstanding principal balance of the Program Loan, including, when applicable, any increases in the amount thereof;

(7–a) in the case of a loan solely for improvements to or repair of Residential Housing, RIHousing shall have received assurances regarding the borrower’s title to the subject property sufficient, in the judgment of RIHousing, to protect RIHousing’s interests;

(8) the Program Loan must either:

(a) have been insured or guaranteed by the Federal Housing Administration, the United States Department of Agriculture/Rural Development (successor to the Farmers Home Administration) Farmers Home Administration, the Veteran’s Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or

(b) have a loan–to–value ratio as provided in the appropriate Series Program Determination; or

(c) be a loan for the repair or improvement of Residential Housing which is insured under Title I of the National Housing Act or insured under a program of self insurance established by RIHousing; or

(d) be made in any amount not exceeding the value, as determined in an appraisal by or acceptable to RIHousing, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) RIHousing either (a) has provided for self insurance of the Program Loan in such manner as does not impair the then existing rating on the Bonds by each Rating Agency or (b) is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount provided for in the appropriate Series Program Determination; and

(9) such other additional requirements as RIHousing may determine to be necessary to protect RIHousing’s interest in the security of the Program Loan shall have been met.

In permitting any variance or waiver from the above requirements, RIHousing shall make a written determination that the mortgagee (or its assigns) of the Program Loan has the benefit of arrangements which provide substantially equivalent protection to the material interests of RIHousing and the Trustee.

Revenue Account

All Mortgage Revenues and Non–Mortgage Receipts are to be deposited in the Revenue Account. On or before each Interest Payment Date the Trustee is required to pay to the Paying Agents the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date. On or before each Redemption Date or date of purchase, the Trustee is required to pay to the Paying Agents

the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased for retirement, unless the payment of such accrued interest has been otherwise provided for.

The amount accumulated in the Revenue Account for each Sinking Fund Payment may be applied either (i) to the purchase of Bonds for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

Upon the purchase or redemption of Bonds from amounts in the Revenue Account, an amount equal to the principal amount of the Bonds so purchased or redeemed is required to be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment is to be credited against future Sinking Fund Payments in direct chronological order.

RIHousing is permitted to direct the transfer of amounts from the Revenue Account at any time within ninety days after the close of each such Fiscal Year to the Loan Account, Debt Service Reserve Account or Redemption Account or if the assets to liabilities under the Bond Resolution is greater than 101%, then to RIHousing free and clear of the lien of the Bond Resolution to be applied to any lawful purpose.

The Trustee may at any time, upon the written direction of an Authorized Officer, make transfers from the Revenue Account to the Loan Account, the Debt Service Reserve Account or the Redemption Account for the purposes thereof or make a transfer to the general operating funds of RIHousing for the purpose of paying Program Expenses for the then current Fiscal Year. No such transfer is permitted, however, unless there is on deposit in the Revenue Account after such transfer an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such payment and to become due through the next Interest Payment Date.

Redemption Account

There are to be deposited in the Redemption Account any amounts required by the Bond Resolution and any other amounts available therefor and determined by RIHousing to be deposited therein. Subject to the provisions of the respective Series of Bonds and those of any Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, the Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date. Except as otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of such Bonds, except that RIHousing may require or prohibit such purchases. The purchase price paid may not exceed the principal amount of such Bonds unless such Bonds may be redeemed within thirteen months after such purchase in which event such price shall not exceed the highest Redemption Price. If the Trustee is able to purchase Bonds at a price less than the applicable Redemption Price, the Trustee is required to deposit in the Revenue Account the difference between such purchase price and such Redemption Price.

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

Debt Service Reserve Account

There are to be deposited in the Debt Service Reserve Account all amounts required to be deposited therein pursuant to the Bond Resolution and any other amounts received and determined by RIHousing to be deposited therein.

Amounts on deposit in the Debt Service Reserve Account are to be applied, to the extent other funds are not available therefor, to pay on any Interest Payment Date or Redemption Date the Principal Installments and interest due on the Outstanding Bonds. Whenever the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, the Trustee, if directed by RIHousing, is required to withdraw from the Debt Service Reserve Account the amount of such excess and deposit such amount into the Loan Account, Revenue Account or Redemption Account.

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

Subject to any limitation in the Act, a Supplemental Resolution may provide that the Debt Service Reserve Account Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. For purposes of determining whether the Debt Service Reserve Account Requirement has been met, the amount in the Debt Service Reserve Account shall be deemed to include any amount payable thereunder on the demand of the Trustee without material conditions.

Rebate Account

There are to be deposited in the Rebate Account all amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing each Series of Bonds and any other amounts received and determined to be deposited therein by RIHousing. Amounts on deposit in the Rebate Account are to be applied to any lawful purpose of RIHousing consistent with the tax covenants of RIHousing.

Payment of Bonds

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

Tax Covenants

RIHousing covenants that it will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds, for purposes of direct federal income taxation, will be excludable from the gross income of the recipients thereof and exempt from such taxation. Notwithstanding the foregoing, RIHousing may elect to issue obligations the interest on which is not exempt from federal income taxation so long as such election is made prior to the issuance of such obligations. The covenants contained in this Section shall not apply to Bonds issued pursuant to such an election.

The Program

RIHousing covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Bond Resolution and sound lending practices and principles, to use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise

required for other purposes of the Program, to finance the Program Obligations pursuant to the Act and the Bond Resolution, to do all such acts and things as shall be necessary to receive and collect Mortgage Revenues and Non-Mortgage Receipts (including diligent enforcement of the prompt collection of all arrears on Program Obligations) sufficient to pay the Debt Service and Program Expenses, and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of RIHousing to protect its rights with respect to or to maintain any insurance on Program Obligations and to enforce all terms, covenants and conditions of the Program Obligations including the collection, custody and prompt application of all escrow payments required by the terms of the Program Obligations for the purposes for which they were made.

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

RIHousing may at any time sell, assign or otherwise dispose of a Program Obligation (or the premises to which such Program Obligation relates):

- (1) in the event that payment under such Program Obligation is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Obligation or property;
- (2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Obligation; or
- (3) in the event that a Certificate has been filed with the Trustee which gives effect to the proposed sale thereof and states that it complies with conditions set forth in the Bond Resolution.

RIHousing will not redeem or purchase Bonds from amounts on deposit in any account under the Bond Resolution (including proceeds of Refunding Bonds held in the Redemption Account) if such redemption or purchase would have a material adverse effect on the ability of RIHousing to pay the Principal Installment and interest on the remaining Outstanding Bonds.

RIHousing shall apply the proceeds of the Bonds and use or direct the use of Revenues and other amounts held under the Bond Resolution so as to ensure that the Revenues and other funds estimated by RIHousing to be available at all times under the Bond Resolution will be sufficient to provide for the payment of Debt Service on the Bonds when due and reasonable and necessary Program Expenses.

RIHousing will not cause Bonds to be purchased or redeemed at any time, if such purchase or redemption would have a material adverse effect on the ability of RIHousing to pay the Debt Service on the Bonds when due and reasonable and necessary Program Expenses.

Accounts and Reports

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

Within 90 days after the close of each Fiscal Year, RIHousing is required to file with the Trustee a copy of an annual report as to the operations and accomplishments of RIHousing during such Fiscal Year, and

financial statements for such Fiscal Year, setting forth in reasonable detail the balance sheet for RIHousing and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year, a statement of RIHousing's revenues and expenses for its operating and program purposes and showing the revenues and expenses of the Program and a statement of changes in financial position.

If at any time during any Fiscal Year there shall have occurred an Event of Default, then RIHousing shall file with the Trustee, within forty–five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Bond Resolution.

Budgets

RIHousing must adopt an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than the first day of each such Fiscal Year, and file the same with the Trustee. The annual budget shall set forth for such Fiscal Year the estimated Mortgage Revenues, the Principal Installments and the amount of interest due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. RIHousing at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided in the Bond Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

Powers of Amendment

Any modification or amendment of any provision of the Bond Resolution or of the rights and obligations of RIHousing and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the Bond Resolution (a) of the holders of at least two–thirds in principal amount of the Outstanding Bonds, or (b) in case less than all of the several Series of Bonds then Outstanding would be affected by such modification or amendment, of the holders of at least two–thirds in principal amount of the Outstanding Bonds of each Series so affected. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentage of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default

It is an "Event of Default" if: (a) payment of the principal or Redemption Price of any Bonds is not made when due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made within thirty days after becoming due; or (c) RIHousing fails or refuses to comply with the provisions of the Bond Resolution, or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default continues for a period of ninety days after written notice thereof expressly stating that it is a notice of default, by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses (a) and (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in

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

Priority of Payments After Default

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

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

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

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

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

Compensation of Trustee

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

If RIHousing pays or causes to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then the pledge or assignment of any revenues and assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Defeasance

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by RIHousing of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. All Outstanding Bonds of any Series will, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, RIHousing has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the Bond Resolution, notice of redemption on said date of such Bonds, and (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of Treasury), or obligations secured by such obligations through an irrevocable trust, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be

APPENDIX G

TEN YEAR RULE PERCENTAGES

Homeownership Opportunity Bond Series	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Retired	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 10-A	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 15-A	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 46-T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 48-T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 58-A	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HOB 61-ABC	84%	84%	84%	84%	100%	100%	100%	100%	100%	100%	100%
HOB 62-ABC	83%	83%	83%	83%	100%	100%	100%	100%	100%	100%	100%
HOB 63-ABC	90%	90%	90%	90%	100%	100%	100%	100%	100%	100%	100%
HOB 63-T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 64-T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 65-T	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HOB 66-A&C	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HOB 66-B	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%	100%
HOB 67-A&C	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HOB 67-B	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%
HOB 68-A&C	99%	99%	99%	99%	99%	99%	99%	99%	100%	100%	100%
HOB 68-B	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%

Note: The above percentages represent estimates based upon information currently available and are not guaranteed. There can be no assurance that federal tax law, rules or regulations enacted or proposed and the interpretation thereof will not alter the above percentages.

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APPENDIX H

ESTIMATED QUARTERLY OUTSTANDING MORTGAGE LOAN BALANCE AND PREPAYMENT AMOUNTS

Homeownership Opportunity Bond Series	Outstanding Balance 03/31/17	Prepayments 4/01/17-6/30/17	Outstanding Balance 06/30/17	Prepayments 7/01/17-9/30/17	Outstanding Balance 09/30/17	Prepayments 10/01/17- 12/31/17	Outstanding Balance 12/31/17	Prepayments 1/01/18-3/31/18	Outstanding Balance 03/31/18
Retired	\$ 98,894,901	\$ 2,166,591	\$ 96,257,495	\$ 3,004,935	\$ 93,018,836	\$ 2,160,901	\$ 90,840,010	\$ 2,102,759	\$ 88,056,499
HOB 10-A	14,494,337	148,022	14,191,269	21,438	14,063,963	602,006	13,334,454	420,172	12,830,860
HOB 15-A	1,118,379	973	1,107,731	1,644	1,095,783	70,622	1,013,111	548	1,003,344
HOB 46-T	4,591,195	2,633	4,548,514	14,445	4,493,459	403,088	4,050,337	354,108	3,660,788
HOB 48-T	3,509,962	134,503	3,321,836	343,093	2,942,912	266,686	2,644,618	18,870	2,595,395
HOB 57-AB [†]	40,999,848	208,185	40,824,807	1,210,779	41,949,133	662,226	42,143,157	796,268	41,663,065
HOB 58-A	39,899,877	1,074,065	41,109,923	616,943	40,431,151	1,239,523	41,518,918	597,033	40,773,242
HOB 59-ABC [†]	20,413,758	1,096,140	19,210,052	655,986	18,471,822	688,200	17,706,583	333,926	17,335,182
HOB 61-ABC	33,830,450	764,784	32,706,528	964,341	31,419,206	972,336	30,122,017	325,875	29,465,138
HOB 62-ABC	25,154,251	742,324	24,183,790	429,584	23,555,635	1,038,178	22,298,328	436,808	21,639,952
HOB 63-ABC	25,220,065	494,877	24,502,966	451,695	23,845,849	288,486	23,358,422	286,312	22,873,813
HOB 63-T	14,881,736	435,661	14,371,887	528,049	13,789,802	312,977	13,411,789	463,355	12,955,358
HOB 64-T	36,456,139	875,421	35,311,729	1,360,089	33,701,764	1,100,304	32,385,635	926,944	31,258,641
HOB 65-T	53,116,299	1,252,513	51,498,270	1,888,264	49,240,800	1,896,424	46,940,834	707,396	45,987,372
HOB 66-ABC	61,812,822	1,017,177	60,365,355	2,160,946	57,799,672	1,702,766	55,760,637	921,046	54,735,721
HOB 67-ABC	43,200,157	724,749	42,262,243	1,166,660	40,877,912	928,837	39,734,778	1,414,260	38,107,661
HOB 68-ABC	<u>140,248,931</u>	<u>4,004,854</u>	<u>141,748,043</u>	<u>3,012,077</u>	<u>144,169,238</u>	<u>3,791,317</u>	<u>148,040,744</u>	<u>2,439,100</u>	<u>146,429,916</u>
Total	<u>\$657,843,107</u>	<u>\$15,143,472</u>	<u>\$647,522,437</u>	<u>\$17,830,965</u>	<u>\$634,866,936</u>	<u>\$18,124,875</u>	<u>\$625,304,372</u>	<u>\$12,544,780</u>	<u>\$611,371,948</u>

Note: The figures above are based on information currently available and are not guaranteed. Prepayment amounts include loan payoffs, dispositions of real estate owned and principal curtailments in excess of the computed scheduled principal amounts. Balances include real estate owned. Loans securitized into Mortgage Backed Securities are not included in these amounts. RIHousing reserves the right to transfer loans between bond series subject to limitations under the Resolution and applicable federal tax law. Changes in outstanding loan balances from quarter to quarter may result from payments of scheduled principal, new originations or recycling, transfers between series, sales of mortgage loans, writedowns, losses and other miscellaneous adjustments, in addition to loan payoffs and principal installments.

[†] Series was fully redeemed through redemptions.

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APPENDIX I

**PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING
AND PROJECTED WEIGHTED AVERAGE LIVES OF THE PAC BONDS**

Set forth in the table below are projected percentages of initial principal balance outstanding and projected weighted average lives for the PAC Bonds under various prepayment speeds. “Projected percentages of initial principal balance outstanding” refers to the principal balance of a security that will be outstanding on a specified date expressed as a percentage of the initial principal amount of such security. The “projected weighted average life” of a security refers to the average amount of time, measured here in years, that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity date, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security. The calculation of the projected weighted average life of the PAC Bonds set forth below requires the making of certain hypothetical assumptions. See “**DESCRIPTION OF THE SERIES 69 BONDS — Projected Weighted Average Lives of the PAC Bonds**” in the Official Statement.

Projected Percentages of Initial Principal Balance Outstanding and Weighted Average Lives of PAC Bonds

	Prepayment Assumption									
	0 PSA	25 PSA	50 PSA	75 PSA	100 PSA	150 PSA	200 PSA	300 PSA	400 PSA	500 PSA
Initial Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
October 1, 2018	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
October 1, 2019	100.0%	99.0%	97.6%	96.2%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%
October 1, 2020	100.0%	96.3%	92.2%	88.1%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%
October 1, 2021	100.0%	92.5%	84.7%	77.1%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%
October 1, 2022	100.0%	88.7%	77.2%	66.1%	55.3%	55.3%	55.3%	55.3%	55.3%	55.3%
October 1, 2023	100.0%	85.0%	70.3%	56.2%	42.7%	42.7%	42.7%	42.7%	42.7%	42.7%
October 1, 2024	100.0%	81.7%	64.0%	47.3%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
October 1, 2025	100.0%	78.6%	58.3%	39.5%	22.0%	21.9%	21.9%	21.9%	21.9%	21.9%
October 1, 2026	100.0%	75.8%	53.3%	32.6%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
October 1, 2027	100.0%	73.4%	48.9%	26.8%	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%
October 1, 2028	100.0%	71.2%	45.1%	21.9%	1.5%	1.4%	1.4%	1.4%	1.9%	5.4%
October 1, 2029	100.0%	69.4%	42.0%	18.1%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%
October 1, 2030	100.0%	67.9%	39.6%	15.3%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2031	100.0%	66.8%	37.9%	13.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2032	100.0%	66.0%	36.8%	12.5%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2033	100.0%	65.6%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2034	100.0%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2035	100.0%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2036	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2037	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2038	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2039	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2040	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2041	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2042	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2043	99.9%	65.5%	36.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
October 1, 2044	80.7%	52.6%	29.1%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%
October 1, 2045	60.7%	39.6%	21.9%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%
October 1, 2046	40.7%	26.5%	14.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%
October 1, 2047	20.7%	13.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
October 1, 2048	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First Payment or Redemption Date	10/1/2019	10/1/2019	4/1/2019	4/1/2019	4/1/2019	4/1/2019	4/1/2019	4/1/2019	4/1/2019	4/1/2019
Last Payment or Redemption Date	10/1/2048	10/1/2048	10/1/2048	4/1/2046	4/1/2029	4/1/2029	4/1/2029	4/1/2029	10/1/2029	10/1/2048
Weighted Average Life										
Optional Call Not Exercised	27.8	20.4	14.0	8.3	5.0	5.0	5.0	5.0	5.0	5.7
Optional Call at 4/1/2028 Exercised	9.5	8.3	7.1	6.0	5.0	5.0	5.0	5.0	5.0	5.0

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