

This Official Statement has been prepared on behalf of the Arkansas Development Finance Authority to provide information on the Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

\$30,000,000

**Arkansas Development Finance Authority
Single Family Mortgage Revenue Bonds,
2008 Series D (Non-AMT)^(†)
(Mortgage-Backed Securities/Mortgage Loans Program)**

<i>Dated</i>	Date of Delivery
<i>Due</i>	January 1 and July 1, as shown on inside front cover.
<i>Tax Exemption</i>	In the opinion of Co-Bond Counsel to the Authority, (a) under existing statutes and court decisions, assuming continuing compliance with certain conditions imposed by applicable Federal tax law as described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax, and (b) under existing statutes, interest on the Bonds is exempt from the State of Arkansas (the "State") income tax imposed on individuals. See "TAX MATTERS."
<i>Redemption</i>	The Bonds are subject to redemption prior to maturity, including redemption from sinking fund payments and redemption from unexpended proceeds, Mortgage Prepayments (as defined herein), excess revenues and certain other funds. See "THE BONDS-Redemption."
<i>Security</i>	The Bonds will be secured on a parity with all other series of bonds issued under the General Resolution (the "Resolution Bonds") by custom-pool, fully-modified mortgage-backed securities, guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"), or single pool, mortgage pass-through securities, guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association ("Fannie Mae") (collectively, the "Mortgage-Backed Securities"), and secured by pools of mortgage loans which have been or will be made by participating lenders to persons or families of low and moderate income, in order to finance the purchase of single family residential housing located in the State of Arkansas (the "State") and other assets described herein. The Bonds may also be secured on a parity with all other Resolution Bonds by Mortgage Loans having a first or second lien on the single family residential housing financed thereby upon receipt by the Trustee of a certificate of projected revenues and rating confirmation for the Bonds, and such Mortgage Loans, along with the Mortgage-Backed Securities, are referred to herein collectively as the "Eligible Collateral." The Bonds are special obligations of the Authority payable solely from, and secured by a pledge of, the Eligible Collateral and the other revenues and funds described herein. The Bonds do not constitute an indebtedness of the State or an indebtedness for which the faith and credit of the State or any of its revenues are pledged or an indebtedness secured by a lien on or a security interest in any property of the State. The Authority has no taxing power. The Bonds are not a debt of the United States of America or any agency thereof, GNMA, or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America. See "SOURCES OF PAYMENT AND SECURITY."
<i>Interest Payment Dates</i>	January 1 and July 1, commencing July 1, 2009.
<i>Denominations</i>	\$5,000 or any integral multiple thereof.
<i>Closing Date</i>	December 18, 2008.
<i>Co-Bond Counsel</i>	Williams & Anderson PLC, Little Rock, Arkansas, and Hawkins Delafield & Wood LLP, New York, New York.
<i>Underwriters' Counsel</i>	Friday, Eldredge & Clark, LLP, Little Rock, Arkansas.
<i>Trustee</i>	Simmons First Trust Company, N.A., Pine Bluff, Arkansas.
<i>Financial Advisor</i>	First Southwest Company, New York, New York.
<i>Book-Entry Only System</i>	The Depository Trust Company. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are offered when, as, and if issued and received by the Underwriters, subject to withdrawal or modification of the offer without notice and to the opinions of Williams & Anderson PLC, Little Rock, Arkansas, and Hawkins Delafield & Wood LLP, New York, New York, Co-Bond Counsel to the Authority.

**Stephens Inc.
Crews & Associates, Inc.**

**Citi
Morgan Keegan & Company, Inc.**

December 10, 2008

^(†) Interest not included in adjusted current earnings of corporations for purposes of the alternative minimum tax under the Code. See **"TAX MATTERS-Opinion of Bond Counsel."**

\$30,000,000
Arkansas Development Finance Authority
Single Family Mortgage Revenue Bonds,
2008 Series D (Non-AMT)
(Mortgage-Backed Securities/Mortgage Loans Program)

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIPS^(†)
(Base CUSIP^(†) 041083)

\$6,670,000 Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>CUSIP^(†)</u>
January 1, 2010	\$310,000	3.150	UD6
July 1, 2010	305,000	3.400	UE4
January 1, 2011	310,000	3.625	UF1
July 1, 2011	320,000	3.750	UG9
January 1, 2012	325,000	4.000	UH7
July 1, 2012	330,000	4.125	UJ3
January 1, 2013	340,000	4.250	UK0
July 1, 2013	350,000	4.300	UL8
January 1, 2014	360,000	4.350	UM6
July 1, 2014	370,000	4.450	UN4
January 1, 2015	380,000	4.550	UP9
July 1, 2015	390,000	4.650	UQ7
January 1, 2016	400,000	4.750	UR5
July 1, 2016	410,000	4.750	US3
January 1, 2017	425,000	4.850	UT1
July 1, 2017	435,000	4.850	UU8
January 1, 2018	450,000	5.000	UV6
July 1, 2018	460,000	5.000	UW4
			<u>CUSIP^(†)</u>
	\$3,750,000	5.875% Term Bonds Due July 1, 2023	UX2
	\$4,610,000	6.000% Term Bonds Due July 1, 2028	UY0
	\$6,330,000	6.125% Term Bonds Due July 1, 2033	UZ7
	\$8,640,000	6.250% Term Bonds Due July 1, 2038	VA1

Price: 100%

^(†) Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The Authority and the Underwriters take no responsibility for the accuracy of such numbers.

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, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Payment of Principal of and Interest on the	
THE AUTHORITY	2	GNMA Securities	17
Officers and Directors	3	FANNIE MAE MORTGAGE-BACKED SECURITIES ..	17
History of Single Family Mortgage Purchase Programs	3	Fannie Mae Mortgage-Backed Securities Program	17
Other Indebtedness of the Authority	4	Pool Purchase Contract	18
Future Financings of the Authority	4	Fannie Mae Securities	18
THE BONDS	4	Payments of Mortgage Loans; Distributions on	
Redemption	5	Fannie Mae Securities	19
Tenders for Purchase	7	THE TRUSTEE	19
Selection of Bonds Within a Maturity to be		THE SERVICER	19
Redeemed	7	SUMMARY OF CERTAIN PROVISIONS OF PROGRAM	
Notice of Redemption	7	DOCUMENTS	19
SOURCES AND USES OF FUNDS	8	Origination Agreement	20
BOOK-ENTRY ONLY SYSTEM	8	Servicing Agreement	21
SOURCES OF PAYMENT AND SECURITY		TAX MATTERS	22
FOR THE BONDS	9	General	22
General	9	Loan Eligibility Requirements Imposed by the Code	22
Revenues and Other Available Moneys	10	Other Requirements Imposed by the Code	23
Resolution Bonds Rank on a Parity	10	Opinion of Bond Counsel	24
Investment Agreement for the Bonds	11	Certain Collateral Federal Tax Consequences	25
Investment Agreements Relating to Other Series of		Miscellaneous	25
Resolution Bonds	12	LITIGATION	25
PROPOSED AMENDMENTS TO GENERAL		UNDERWRITING	25
RESOLUTION	12	FINANCIAL INFORMATION	25
THE PROGRAM	12	SECONDARY MARKET DISCLOSURE	25
General	12	RATING	26
Eligibility	13	LEGAL MATTERS	26
Recapture Provision	14	FINANCIAL ADVISOR	26
Down Payment Assistance Program	14	ADDITIONAL INFORMATION	26
CASH FLOW ASSUMPTIONS	14	APPENDIX A - Summary of Certain Provisions of the	
GNMA MORTGAGE-BACKED SECURITIES	15	Resolution	A-1
GNMA Mortgage-Backed Securities Programs	15	APPENDIX B - Form of Opinions of Co-Bond Counsel ..	B-1
GNMA Securities	16	APPENDIX C - Summary of Continuing Disclosure	
GNMA Borrowing Authority	16	Agreement	C-1
Servicing of the Mortgage Loans Securing GNMA		APPENDIX D - Selected Financial Information	D-1
Securities	16	APPENDIX E - Investment Agreements for	E-1
Guaranty Agreement	17	Outstanding Resolution Bonds	

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OFFICIAL STATEMENT

\$30,000,000

Arkansas Development Finance Authority Single Family Mortgage Revenue Bonds, 2008 Series D (Non-AMT) (Mortgage-Backed Securities/Mortgage Loans Program)

This Official Statement, including the cover page and the Appendices hereto, provides certain information in connection with the issuance by the Arkansas Development Finance Authority (the "Authority"), a public body corporate and politic of the State of Arkansas (the "State"), of its \$30,000,000 Single Family Mortgage Revenue Bonds, 2008 Series D (Mortgage-Backed Securities/Mortgage Loans Program) (the "Bonds").

The Bonds are being issued pursuant to the Arkansas Development Finance Authority Act, constituting Arkansas Code Annotated §§ 15-5-101 *et seq.* (2003 Repl.; Suppl. 2007) (the "Act"). The Bonds are secured by the Authority's Single Family Mortgage Revenue Bond General Resolution (Mortgage-Backed Securities/Mortgage Loans Program), adopted by the Authority on July 20, 1995, as amended and supplemented (the "General Resolution"). In the General Resolution, the Authority designated Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as trustee, paying agent and bond registrar (the "Trustee"). The issuance of the Bonds was authorized and approved by the 2008 Series D Resolution adopted and approved by the Authority on November 20, 2008 (the "Series Resolution"). The General Resolution, as supplemented by the Series Resolution, is referred to herein as the "Resolution." For a description of certain provisions of the Resolution, see the section captioned "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" attached as Appendix A hereto.

The Authority has authorized a Supplemental Resolution in connection with the Authority's 2006 Series C Resolution (the "2006 Supplemental Resolution") to amend certain provisions of the General Resolution which will become effective only upon the consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in principal amount of the Resolution Bonds Outstanding. Such consent will be deemed received from the Holders of Resolution Bonds (including the Bonds) issued on and after July 25, 2006. The 2006 Supplemental Resolution expands the definition of "Mortgage-Backed Securities" to include, in addition to GNMA Securities and Fannie Mae Securities, FHLMC Securities and/or securities of any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase or guarantee timely payment of mortgage loans secured by pools of Mortgage Loans issued and acquired pursuant to the Program, the inclusion of which will not adversely affect the rating on the Resolution Bonds. The amendments provided for in the 2006 Supplemental Resolution are generally described herein under "PROPOSED AMENDMENTS TO GENERAL RESOLUTION" and under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION-Proposed Amendments to General Resolution" attached as Appendix A hereto.

All bonds now or hereafter issued by the Authority under the General Resolution, including the Bonds, are secured on parity and all such series of bonds are collectively referred to as the "Resolution Bonds" and individually as a "Series of Resolution Bonds." The Authority has previously issued 51 series of outstanding Resolution Bonds in the outstanding aggregate principal amount of \$593,550,000, and such series are referred to as the "Prior Bonds." Under the General Resolution, the Authority may hereafter issue additional series of Resolution Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS-Resolution Bonds Rank on a Parity" herein.

The references to and summaries and descriptions of the Act, the Resolution, the Bonds, the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("Fannie Mae") and the Program and the other statutes, instruments, and documents which are included in this Official Statement do not purport to be comprehensive or definitive, and such summaries, references, and descriptions are qualified in their entirety by reference to the appropriate program, statute, instrument, or document. Copies of such documents are available for inspection at the principal corporate trust office of the Trustee or from the Authority. Except as otherwise defined, all capitalized words and phrases used herein shall have the meaning ascribed to them in the section captioned "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION-Definitions of Certain Terms" attached as Appendix A hereto.

INTRODUCTION

The Authority was created in 1985 by the Act as a public body corporate and politic. As directed by the Act, the functions, powers, and duties of the previously existing Arkansas Housing Development Agency (the "Agency") were transferred to the Authority and the Agency was abolished. In addition, the Authority assumed all obligations, debts, commitments, and liabilities of the Agency.

The Act authorizes the Authority to borrow money and issue from time to time its bonds, notes, and other obligations in such principal amounts as the Authority determines shall be necessary to provide sufficient funds to carry out its purposes and powers, including, among other purposes, the financing of decent, safe, sanitary, and affordable residential housing for persons and families of low and moderate income.

In addition to providing financing for residential housing, the Authority is permitted under the Act to issue bonds for the purpose of financing agricultural business enterprises, capital improvements for State agencies and local governments, educational facilities, health care facilities, industrial enterprises, and short-term advance funding of local government obligations. The Authority is presently committed to several financings for other purposes permitted by the Act and expects to issue other special revenue bonds secured by separate and distinct collateral.

Amounts deposited in the Acquisition Account established under the Series Resolution as a result of the issuance of the Bonds will be used, directly or indirectly, to make available funds to finance the purchase of (including participation interests therein) (1) custom pool, fully-modified mortgage-backed securities (the "GNMA Securities"), guaranteed as to timely payment of principal and interest by GNMA and backed by pools of mortgage loans (the "Mortgage Loans") insured by the Federal Housing Administration (the "FHA") of the United States Department of Housing and Urban Development ("HUD") pursuant to the National Housing Act of 1934, as amended (the "National Housing Act"), guaranteed by the United States Department of Veterans Affairs ("VA") pursuant to the Servicemen's Readjustment Act of 1944, as amended, or guaranteed by the Rural Development (formerly a service of the Farmers Home Administration) ("RD") of the United States Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended (the "Housing Act of 1949"); or (2) single pool, mortgage pass-through securities (the "Fannie Mae Securities"), guaranteed as to timely payment of principal and interest by Fannie Mae, and backed by pools of Mortgage Loans which are RD-guaranteed or conventional Mortgage Loans eligible for purchase under Fannie Mae's established criteria, which will be made by certain mortgage lending institutions (the "Mortgage Lenders"), to qualified persons or families of low and moderate income (the "Mortgagors"), to finance the purchase of single family residential housing in the State (including townhouses and condominium units) ("Homes"). The GNMA Securities and the Fannie Mae Securities are collectively called herein the "Mortgage-Backed Securities."

The Authority will also have the power to use moneys in the Acquisition Account, surplus Revenues and prepayments of Mortgage Loans to finance the purchase of Mortgage Loans secured by first or second mortgage liens on the Homes upon receipt by the Trustee of a Rating Confirmation of the Outstanding Resolution Bonds and a Certificate of Projected Revenues, and such Mortgage Loans and the Mortgage-Backed Securities are referred to herein collectively as the "Eligible Collateral." The Authority intends to use proceeds of the Bonds only to acquire Mortgage-Backed Securities.

The success of the Program in financing Mortgage Loans through the purchase of Mortgage-Backed Securities is directly related to the continued availability of the mortgage insurance and guaranty programs of the United States described in the foregoing paragraph. The operation of such insurance and guaranty programs depends upon annual appropriation by the United States Congress, and such action may be influenced by federal fiscal and budgetary considerations. It is not possible to predict what effect, if any, future federal governmental action may have on the ability of the Authority to acquire Mortgage-Backed Securities (or participation interests therein).

The Eligible Collateral, when purchased by the Trustee as described herein, will be pledged under the Resolution to the payment of principal of and interest on the Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" and "CASH FLOW ASSUMPTIONS" herein.

The Bonds are special obligations of the Authority, payable solely from and secured by a pledge of revenues generated by the Eligible Collateral, and other moneys and Investment Obligations held in certain Funds established by the Resolution. The Bonds are secured on a parity with other Resolution Bonds. **The Bonds do not constitute an indebtedness of the State or an indebtedness for which the faith and credit of the State or any of its revenues are pledged or an indebtedness secured by a lien on or a security interest in any property of the State. The Authority has no taxing power. The Bonds are not a debt of the United States of America or any agency thereof, GNMA, or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America.**

THE AUTHORITY

The powers of the Authority are vested in the Board of Directors, consisting of the State Treasurer and the Director of the Department of Finance and Administration and 11 public members appointed by the Governor with the advice and consent of the State Senate. The Act provides that the Board shall employ a President who shall serve at the pleasure of the Governor, shall be an ex-officio, nonvoting member of the Board and may be elected Secretary to the Board.

Officers and Directors

The names, offices, principal occupations and residences of the directors of the Authority and the dates of expiration of their terms are set forth below. In accordance with the Act, Board members whose terms have expired serve until they are reappointed or their successors have been appointed.

<u>Name and Office</u>	<u>Term Expires (January 14)</u>	<u>Principal Occupation and Residence</u>
Art Morris, Chair	2011	Executive Vice President, Signature Bank, Siloam Springs
Tom Spillyards, Vice-Chair	2009	President, Simmons First Bank of Northwest Arkansas, Rogers ⁽¹⁾
Mac Dodson, Secretary	(ex-officio, nonvoting)	President, Arkansas Development Finance Authority, Little Rock
Charley Baxter	2009	Director, Patrick Henry Hays Senior Citizens Center, North Little Rock
Dr. Richard Burnett	2010	Physician, Gassville
Curtis Hagler	2009	Farmer, Wynne
Bob Lamb	2012	Vice President-Community Development, Southwestern Energy Company, Fayetteville
Freddie M. Mobley	2010	President, First State Bank, Warren
Bert Mullins	2009	Investor, Russellville
Jennifer Ronnel	2012	Attorney, Little Rock
Jesse Sharp	2012	USDA Rural Development (Retired), Beebe
Martha Shoffner	(ex-officio)	State Treasurer, Little Rock
Don Spears	2011	Attorney, Little Rock
Richard A. Weiss	(ex-officio)	Director, Arkansas Department of Finance and Administration, Little Rock

⁽¹⁾The Trustee is a subsidiary of Simmons First National Bank in Pine Bluff, which is a subsidiary of Simmons First National Corporation. Simmons First Bank of Northwest Arkansas is a subsidiary of Simmons First National Corporation.

The staff of the Authority presently consists of approximately 62 full-time employees. Mac Dodson is President of the Authority. Leigh Ann Biernat is Vice President for Finance and Administration, Gene Eagle is Vice President for Development Finance, Sara Braswell is Vice President for Housing, Patrick Patton is Vice President of Internal Audit and Information Technology, and Layne L. Anderson is Vice President and General Counsel.

The office of the Authority is located at 423 Main Street, Suite 500, Little Rock, Arkansas. Its telephone number is (501)682-5900, its mailing address is P.O. Box 8023, Little Rock, Arkansas 72203-8023, and its web site address is "<http://www.state.ar.us/adfa>."

History of Single Family Mortgage Purchase Programs

Since 1978, the Authority (including the predecessor Arkansas Housing Development Agency) has issued numerous series of revenue bonds in the aggregate principal amount of approximately \$3.7 billion to finance single family residential mortgage loans in the State. Excluding bonds previously refunded or defeased, approximately \$596 million of such bonds in aggregate principal or accreted value amount were outstanding at September 30, 2008. The Authority has outstanding 51 series of Prior Bonds in the outstanding aggregate principal amount of \$593,550,000.

Attached as Appendix D to this Official Statement are summaries of the combined assets, liabilities, and fund balances, and of the combined revenues and expenses of the Authority's single family mortgage purchase programs for the fiscal years ended June 30, 2004 to 2008 and for the three-month period ended September 30, 2008.

Other Indebtedness of the Authority

In addition, the Authority has issued other revenue bonds to finance multifamily residential housing, various capital needs of State agencies and educational institutions, assistance to local governments through revolving loan programs for capital purposes, and economic development loan programs to finance industrial development and job creation. Through other programs, the Authority provides advice and economic aid to venture capital programs. Other than as described in the next two paragraphs, all of such revenue bond issues and the Authority's obligations under other loan programs constitute special limited obligations of the Authority and are secured separately by the various assets, funds, and accounts related specifically to such financings. Other than as described in the next two paragraphs, neither the Bonds nor any other obligations of the Authority are secured by its full faith and credit. No assets or funds of the Authority, other than those held under the Resolution, are pledged to the payment of any of the Resolution Bonds.

The Board of Directors of the Authority has authorized the Authority to borrow up to \$120,000,000 from the Federal Home Loan Bank of Dallas ("FHLB-D"), with \$100,000,000 being designated to fund a warehousing program for the Authority's Single Family Home to Own Program ("Single Family Warehousing") and with \$20,000,000 being designated for other activities of the Authority. Any indebtedness to FHLB-D for Single Family Warehousing is secured by a pledge of the Authority's general fund assets and/or Mortgage-Backed Securities acquired with the proceeds of the loan from FHLB-D. Mortgage-Backed Securities are released from the pledge to FHLB-D as advances are repaid and at that time, if the advances are paid from the proceeds of the Resolution Bonds, such Mortgage-Backed Securities become subject to the pledge in favor of the Resolution Bonds. The outstanding principal amount due FHLB-D in connection with Single Family Warehousing is \$12,172,846 as of October 31, 2008.

The Authority has issued its Single Family Mortgage Revenue Bonds (Warehouse Program), Series 2006 W (the "Single Family Warehousing Bonds") to fund the warehousing of Mortgage-Backed Securities prior to the issuance of long-term single family revenue bonds. The Single Family Warehousing Bonds are issued as a single draw-down bond with a stated principal amount of \$300,000,000. The outstanding principal amount of the Single Family Warehousing Bonds is equal to the principal amount drawn down and unpaid by the Authority. Currently, the Authority is limited to no more than \$50,000,000 of outstanding Single Family Warehousing Bonds at any one time. The Authority has drawn \$82,528,665 in principal amount, of which \$230,876 was outstanding, as of September 30, 2008. The Single Family Warehousing Bonds are secured by Mortgage-Backed Securities and other securities acquired with the proceeds from the sale of the Single Family Warehousing Bonds and by the Authority's general fund assets. The Mortgage-Backed Securities pledged to the Single Family Warehousing Bonds are released as the principal amount thereof is retired. If the Single Family Warehousing Bonds are redeemed by Resolution Bonds, such Mortgage-Backed Securities will become subject to the pledge in favor of the Resolution Bonds.

Future Financings of the Authority

The Authority expects in the future to issue other bonds to finance single family and multi-family housing to the extent permitted by law and to finance other activities as permitted by the Act, including additional series of single family mortgage revenue bonds under the General Resolution. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS-Resolution Bonds Rank on a Parity" herein.

THE BONDS

The Bonds will be issuable only as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.

The Bonds will bear interest from their dated date, at the rates, and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be payable semiannually on January 1 and July 1 in each year commencing July 1, 2009.

The principal and the Redemption Price of the Bonds are payable by check or draft upon presentation and surrender at the principal corporate trust office of the Trustee. Interest on the Bonds (other than upon redemption) will be paid by check or draft of the Trustee mailed to the Owner thereof determined as of the close of business on the 15th day of the calendar month next preceding the Bond Payment Date, whether or not a business day (the "Record Date"), provided that with respect to overdue interest, the Trustee may establish a special record date pursuant to the Resolution. Owners of the Bonds in an aggregate principal amount of not less than \$1,000,000 may arrange for payment of interest on and the Redemption Price of such Bonds by wire transfer of immediately available federal funds, by notice to the Trustee as provided in the Resolution. However, for so long as DTC or its nominee is the Owner of the Bonds, interest may be payable by such other means of payment as may be acceptable to the Trustee and DTC. Payments of principal and interest on the Bonds will then be redistributed by DTC. See "BOOK-ENTRY ONLY SYSTEM" herein.

For every exchange or transfer of the Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or

transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Redemption

Special Redemption. The Bonds are subject to special redemption at a Redemption Price equal to the principal amount of the Bonds so redeemed, plus accrued interest to the date fixed for redemption, as follows:

(a) Redemption of Bonds from Unexpended Proceeds. The Bonds are subject to redemption on any date, in whole or in part, from moneys on deposit in the 2008 Series D Acquisition Subaccount that are not used to acquire Eligible Collateral and are transferred from the Acquisition Account to the Special Redemption Account. Moneys on deposit in the 2008 Series D Acquisition Subaccount may be transferred to the Special Redemption Account at any time during the Delivery Period upon the direction of the Authority to be used to redeem the Bonds. Any money on deposit in the 2008 Series D Acquisition Subaccount on the last day of the Delivery Period in excess of \$250,000 shall be transferred to the Special Redemption Account on the first day of the calendar month immediately following the month in which the last day of the Delivery Period occurs and shall be used to redeem Bonds. The Delivery Period ends August 1, 2009, unless extended in accordance with the Series Resolution, but not later than October 1, 2009.

In the event the Bonds are subject to special redemption from unexpended proceeds pursuant to the preceding paragraph, the applicable Bonds to be redeemed shall be selected by the Trustee from among all the Outstanding maturities of the Bonds, on a reasonably proportionate basis, in such manner as the Trustee shall deem fair; provided, however, that the selection of applicable Bonds to be redeemed may be otherwise determined by the Authority, as provided in a written direction to the Trustee, accompanied by a Certificate of Projected Revenues giving effect to such redemption in accordance with the terms of the Resolution.

(b) Redemption of Bonds from Mortgage Prepayments. The Bonds shall be subject to special redemption, at the option of the Authority, in whole or in part on any date from Mortgage Prepayments received with respect to Eligible Collateral purchased in whole or in part, directly or indirectly, from moneys made available by the issuance of the Bonds. In redeeming such Bonds from Mortgage Prepayments, amounts shall be applied, unless otherwise directed by the Authority, to the pro rata redemption of all remaining maturities of the Bonds.

Notwithstanding any provision of this subsection (b), redemption of the Bonds from Mortgage Prepayments shall not occur if the Authority, in order to comply with certain tax covenants relating to the yield on the Mortgage Loans, is required to use Mortgage Prepayments relating to Mortgage Loans purchased in whole or in part, directly or indirectly, with moneys made available by the issuance of the Bonds to finance new Mortgage Loans.

(c) Redemption of the Bonds from Excess Revenues. (i) The Bonds are subject to special redemption at the option of the Authority, in whole or in part, on any date, from Revenues transferred to the applicable Special Redemption Subaccount from the 2008 Series D Revenue Subaccount after the transfers therefrom for the payment of Program Expenses and fees to the Authority, after the deposit of funds in certain other Accounts pursuant to the Resolution, after the Debt Service Payments have been made with respect to such Bonds, and after effecting all redemptions required with respect to such Bonds. In redeeming Bonds under this clause (i), the Bonds shall be selected for redemption by the Authority at its option from among any maturities.

(ii) The Bonds are subject to special redemption at the option of the Authority, in whole or in part, on any date, from amounts transferred to the applicable Special Redemption Subaccount from any excess Revenues attributable to any Resolution Bonds after all transfers required under any applicable Series Resolution for the payment of Program Expenses and fees to the Authority, after the deposit of funds in certain other Accounts pursuant to the applicable Series Resolution, after the Debt Service Payments have been made with respect to such Resolution Bonds, and after effecting all redemptions required with respect to such Resolution Bonds. The applicable Bonds to be redeemed shall be selected by the Authority at its option from among any Outstanding maturities of the Bonds.

(d) Special Cleanup Redemption of the Bonds. The Bonds are subject to special redemption, as a whole, on any date, at the direction of the Authority, if the sum of the moneys and the market value of Investment Obligations allocated to the Bonds held in the 2008 Series D Revenue Subaccount, the 2008 Series D Prepayment Subaccount, and the 2008 Series D Special Redemption Subaccount, is sufficient to pay the principal amount of all the Bonds Outstanding plus accrued interest thereon to the date fixed for redemption and all necessary expenses.

Application of Recoveries of Principal. One of the requirements of the Code with respect to qualified mortgage bonds (including the Bonds) is that each mortgage principal payment received more than 10 years after the date of issuance of such bonds (or, in the case of refunding bonds, the respective dates of issuance of the refunded or original bonds) may not be used to purchase additional Mortgage Loans, but must be used to retire or redeem such bonds not later than the close of the first semiannual period beginning after the date the principal payment is received. Accordingly, principal payments on the portion of each Mortgage Loan allocable to the Bonds are required to be used, beginning on the date that is 10 years after the date of issuance of the Bonds, to retire or redeem the Bonds at the times and to the extent required by the Code; provided, however, that no such redemptions are required if such amount in such semiannual period does not equal or exceed \$250,000. The requirements described

in the foregoing paragraphs are designed to permit the Authority to comply with the “10 Year Rule.” The following chart provides a schedule setting forth the expected percentage of prepayments and repayments attributable to the Bonds that must (under current law) be used to redeem the Bonds, based on the issue date of the Bonds which assumes that 100% of the moneys in the Acquisition Account attributable to the proceeds of the Bonds will be used to purchase Eligible Collateral. Such redemptions will occur under any applicable redemption provision of the Bonds. See also “TAX MATTERS - Other Requirements Imposed by the Code - Required Redemptions” herein. This information as to possible redemption dates for the Bonds is based on the currently expected use of proceeds of the Bonds and current tax law. The Authority cannot predict the actual repayments and prepayments it will receive or whether the applicable Code provisions may be repealed or modified, and no assurance can be given whether such redemptions will in fact occur.

Restricted Recoveries of Principal

<u>Period Starting</u>	<u>Period Ending</u>	<u>Restricted Percentage</u>
December 18, 2008	December 17, 2018	0%
December 18, 2018	Thereafter	100%

Optional Redemption. The Bonds are subject to redemption at the option of the Authority on and after July 1, 2018, in whole or in part at any time, from any moneys available to the Authority, at a Redemption Price equal to the principal amount of such Bonds or portions thereof to be so redeemed plus accrued interest to the date fixed for redemption.

In the event of a partial redemption of the Bonds pursuant to optional redemption, the Authority may direct the maturity or maturities of Bonds and the amounts thereof so to be redeemed, provided the Authority provides a Certificate of Projected Revenues showing there will be moneys sufficient to make scheduled Debt Service Payments. If the Authority makes no direction with respect to the redemption of Bonds of a particular maturity or maturities, then the Bonds shall be redeemed on a proportionate basis from among all of the maturities of the Bonds Outstanding. The Trustee shall select by lot the particular Bonds within a maturity to be redeemed in such manner as the Trustee deems fair.

Sinking Fund Redemption. The Bonds maturing on July 1, 2023, July 1, 2028, July 1, 2033 and July 1, 2038 (collectively, the “Term Bonds”) are subject to mandatory redemption prior to maturity, in part, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on January 1 or July 1 of each year specified below the respective principal amounts of the Term Bonds specified for each date, all in the manner provided in the Resolution:

SINKING FUND REDEMPTION SCHEDULE

\$3,750,000 5.875% 2008 Series D Term Bonds Due July 1, 2023				\$4,610,000 6.00% 2008 Series D Term Bonds Due July 1, 2028			
<u>January 1</u>	<u>Principal Amount</u>	<u>July 1</u>	<u>Principal Amount</u>	<u>January 1</u>	<u>Principal Amount</u>	<u>July 1</u>	<u>Principal Amount</u>
2019	\$475,000	2019	\$470,000	2024	\$390,000	2024	\$405,000
2020	385,000	2020	335,000	2025	420,000	2025	435,000
2021	325,000	2021	330,000	2026	450,000	2026	465,000
2022	340,000	2022	350,000	2027	485,000	2027	500,000
2023	365,000	2023 ⁽¹⁾	375,000	2028	520,000	2028 ⁽¹⁾	540,000

⁽¹⁾Final Maturity.

SINKING FUND REDEMPTION SCHEDULE
(Cont.)

\$6,330,000
6.125% 2008 Series D Term Bonds
Due July 1, 2033

\$8,640,000
6.25% 2008 Series D Term Bonds
Due July 1, 2038

<u>January 1</u>	<u>Principal Amount</u>	<u>July 1</u>	<u>Principal Amount</u>	<u>January 1</u>	<u>Principal Amount</u>	<u>July 1</u>	<u>Principal Amount</u>
2029	\$560,000	2029	\$580,000	2034	\$745,000	2034	\$770,000
2030	600,000	2030	605,000	2035	795,000	2035	825,000
2031	610,000	2031	630,000	2036	850,000	2036	880,000
2032	650,000	2032	675,000	2037	905,000	2037	935,000
2033	700,000	2033 ⁽¹⁾	720,000	2038	970,000	2038 ⁽¹⁾	965,000

⁽¹⁾Final Maturity.

Upon any purchase or redemption of Term Bonds, other than by application of Sinking Fund Installments, an amount equal to the Redemption Price thereof shall be credited pro rata as nearly as practicable against the remaining Sinking Fund Installments applicable to the Term Bonds of the same maturity (in integral multiples of \$5,000), unless otherwise directed by the Authority.

Tenders for Purchase

The Authority may direct the Trustee to purchase, or to solicit tenders for purchase of, Bonds subject to redemption. The purchase price of any such Bonds may not exceed the sum of the face amount of such Bonds, plus accrued interest, unless the Authority represents to the Trustee that the purchase is at least as economically beneficial to the Owners of the Bonds and the Authority as any available alternative use of the moneys to be applied to the purchase. Bonds so purchased shall be canceled and the principal amount so purchased shall be applied as a credit against the Sinking Fund Installments applicable to such Bonds on a pro rata basis.

Selection of Bonds Within a Maturity to be Redeemed

For the purposes of selecting Bonds or portions thereof of like maturity for redemption, if the Bonds are not held by DTC under the book-entry system, the Trustee shall select such Bonds by lot in such manner as the Trustee deems fair. Bonds (or portions thereof) may be redeemed only in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond.

If the Bonds are being held by DTC under the book-entry system and less than all of such Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each DTC Participant (as hereinafter defined) in such maturity to be called for redemption, and each DTC Participant is to then select by lot the ownership interest in such maturity to be redeemed. See "BOOK-ENTRY ONLY SYSTEM" herein.

Notice of Redemption

Any Bonds to be redeemed from moneys in the Redemption Fund shall be redeemed by the Trustee pursuant to the terms of the Resolution. The Trustee shall give notice stating the following: (i) the complete name, including series designation, of such Bonds; (ii) the date of the notice; (iii) the date of issue of such Bonds; (iv) the redemption date; (v) the Redemption Price; (vi) the numbers, interest rates, maturity dates, and other distinguishing marks of the Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); (vii) the CUSIP numbers (if any) of the maturities to be redeemed; (viii) the place or places where amounts due upon such redemption will be payable; (ix) in the case of Bonds to be redeemed in part only, the respective portions of the principal thereof to be redeemed; and (x) the name and telephone number of the contact person at the Trustee.

Such notice shall further state on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue.

Notice of the redemption of the Bonds shall be given by first-class mail, postage prepaid to the Owner of each Bond or portion thereof to be redeemed and to one or more national information services which record bond redemption data, not more than 45 days nor less than 30 days prior to the redemption date. Such notice shall also be sent by certified mail, return receipt requested, to each Owner of Bonds in an aggregate principal amount of \$1,000,000 or more.

While the Bonds are being held by DTC under the book-entry system, notice of redemption will be sent only to DTC. See "BOOK-ENTRY ONLY SYSTEM" herein.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Bonds, after expected transfers and exchanges, are expected to be as follows:

Sources of Funds	
Principal Amount of Bonds	\$30,000,000
Authority Contribution	469,546
Total	\$30,469,546
Uses of Funds	
Acquisition Account ⁽¹⁾	\$30,000,000
Capitalized Interest Account	25,000
Costs of Issuance Account ⁽²⁾	180,000
Underwriting Fees ⁽²⁾	264,546
Total	\$30,469,546

⁽¹⁾ Expected to be used to purchase Mortgage-Backed Securities (or participation interests therein) at the price of 99.5% of the principal amount thereof.

⁽²⁾ The payment of professional fees and fees due the Underwriters will be contingent on the Bonds being issued.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each 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 Bond certificate for each maturity of the Bonds will be issued in the principal amount of the maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (referred to herein as “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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. 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 will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

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

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the 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 the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue services with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Bonds are required to be delivered as described in the Resolution. The Beneficial Owner upon registration of the Bonds held in the Beneficial Owner's name, shall become the Owner thereof under the Resolution.

The Authority may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be delivered as described in the Resolution. The Trustee is entitled to rely on information provided by DTC and the DTC Participants as to the names and principal amounts in which the Bonds are to be registered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the Authority make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Resolution. The Authority and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Resolution Bonds (which include the Prior Bonds, the Bonds and all other bonds issued under the Resolution) are limited obligations of the Authority, payable solely from and secured by a pledge of the Eligible Collateral and any moneys and other revenues pledged therefor under the Resolution. Under the Resolution, the Authority has pledged, subject only to the provisions of the Resolution permitting the application thereof on the terms and conditions permitted thereby, as security for the payment of the principal of or Redemption Price, if any, and interest on the Resolution Bonds: (i) the proceeds of the Resolution Bonds; (ii) the Revenues (other than moneys required to be deposited in the Rebate Account); (iii) all moneys and securities on deposit in the Funds and Accounts (other than in the Rebate Account) created by or pursuant to the Resolution, including the investments thereof, if any; and (iv) the rights and interests of the Authority in and to the Eligible Collateral and the collections received therefrom and (except for certain fees paid directly to the Authority free of the pledge of the Resolution) under each

Origination Agreement and the Servicing Agreement applicable to the Resolution Bonds. If an Event of Default under such Resolution occurs, the pledge described above is subject to the prior liens of certain Fiduciaries for reasonable compensation and expenses.

The Resolution Bonds are secured on a parity of security. An Event of Default with respect to any Series of Resolution Bonds constitutes an Event of Default with respect to the other Series of Resolution Bonds. Payment of principal, or premium, if any, and interest on the Resolution Bonds will be payable solely from, and secured by a pledge of, revenues generated by the Eligible Collateral and other money and revenues pledged pursuant to the Resolution to the payment of the Resolution Bonds. See "Resolution Bonds Rank on a Parity" below.

The Authority has no taxing power. The Bonds do not constitute an indebtedness for which the faith and credit of the State or any of its revenues are pledged or an indebtedness secured by a lien on or a security interest in any property of the State. The Bonds are not a debt of the United States of America or any agency thereof, GNMA or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America.

To date, the Authority has financed the Program through the purchase of Mortgage-Backed Securities. The Authority intends to use the proceeds of the Bonds to purchase Mortgage-Backed Securities to finance the Program. The Authority has the right to use proceeds of Resolution Bonds, surplus Revenues and prepayments of Mortgage Loans to purchase first and second lien Mortgage Loans upon receipt by the Trustee of a Rating Confirmation for the Outstanding Resolution Bonds and a Certificate of Projected Revenues. Each Mortgage-Backed Security will be backed by a Mortgage Pool consisting of Mortgage Loans. The timely payment of the principal of and interest on the Mortgage-Backed Securities is guaranteed by GNMA, or Fannie Mae, as applicable. See "GNMA MORTGAGE-BACKED SECURITIES" and "FANNIEMAE MORTGAGE-BACKED SECURITIES" herein. For a breakdown of the principal amount of Mortgage-Backed Securities guaranteed by GNMA and Fannie Mae, respectively, securing the Resolution Bonds as of September 30, 2008, see Appendix D hereto.

Revenues and Other Available Moneys

The Authority estimates that, in each year in which the Bonds are scheduled to be Outstanding, there will be sufficient moneys available under the Resolution to pay the principal of and interest on the Bonds, after payment of the estimated costs of servicing the Mortgage Loans and Program Expenses. No Mortgage Prepayments, whether voluntary or involuntary, have been assumed in scheduling the principal maturities of the Bonds.

Resolution Bonds Rank on a Parity

When authorized by the General Resolution and subject to the terms, limitations, and conditions established in the General Resolution, the Authority may authorize the issuance of a Series of Resolution Bonds upon adoption of a Series Resolution. Resolution Bonds are secured on a parity of security. Each Series Resolution authorizing the issuance of a Series of Resolution Bonds shall include a determination by the Authority to the effect that the principal amount of said Series of Resolution Bonds is necessary to provide sufficient funds to be used and expended for the Program and shall specify and determine, among other things, the authorized principal amount of said Series of Resolution Bonds; the delivery period for the purchase of Mortgage-Backed Securities with respect to such Series, including any provisions for the extension thereof; the purpose for which such Series of Resolution Bonds is being issued, which shall be to provide funds for deposits of amounts, if any, determined by the Series Resolution to be paid into one or more of the funds or accounts referred to in the General Resolution; and the date or dates of maturity and the interest rates of such Resolution Bonds. Prior to issuance of any additional Resolution Bonds, the Authority must receive a rating on such Series of Resolution Bonds which is not lower than the rating on the Outstanding Resolution Bonds issued pursuant to the General Resolution, by Standard & Poor's Ratings Services ("S&P"), or any nationally recognized rating agency then rating the Resolution Bonds and confirmation by such bond rating agency then maintaining a rating on the Resolution Bonds that the issuance of the additional Resolution Bonds will not cause the rating on the Outstanding Resolution Bonds to be reduced or withdrawn as a result of such issuance.

Since July 20, 1995, the Authority has issued the following Outstanding Series of Resolution Bonds under the General Resolution:

Series of Bonds	Original Principal Amount	Outstanding Principal Amount as of September 30, 2008	Later of Date of Issuance or Remarketing	Final Maturity Date	Original Range of Rates (%)
1997 Series D-B	\$16,140,000	\$2,180,000	3/1/99	7/1/2030	3.30 to 5.25
1998 Series E	32,715,000	10,000	1/20/99	7/1/2021	5.69 to 5.73
1999 Series A-1	5,100,000	895,000	8/23/99	7/1/2017	5.45
1999 Series B	3,860,000	955,000	3/1/99	7/1/2030	5.25
1999 Series C-1	27,570,000	4,220,000	8/23/99	7/1/2031	4.40 to 5.85
1999 Series C-2	33,125,000	510,000	3/1/99	7/1/2031	4.75 to 6.45
1999 Series D	6,805,000	1,670,000	6/1/99	7/1/2017	5.15
1999 Series E	24,605,000	3,535,000	6/1/99	7/1/2028	3.70 to 5.45
1999 Series F	5,000,000	825,000	6/1/99	7/1/2030	6.63
1999 Series G	17,330,000	2,235,000	8/23/99	1/1/2030	5.20 to 5.85
1999 Series H	15,000,000	3,295,000	8/23/99	7/1/2024	7.16
2000 Series B	11,040,000	9,810,000	2/17/00	7/1/2031	6.35
2000 Series C	15,000,000	1,680,000	2/17/00	7/1/2031	7.85
2000 Series D	25,000,000	9,895,000	6/20/00	1/1/2032	5.10 to 6.25
2000 Series E	5,065,000	2,410,000	6/20/00	1/1/2017	5.95
2000 Series F	20,005,000	8,360,000	6/20/00	1/1/2032	5.50 to 6.25
2000 Series H	10,000,000	3,785,000	6/20/00	1/1/2031	Variable
2001 Series A	6,050,000	1,115,000	6/27/01	7/1/2016	4.70
2001 Series B	25,335,000	3,360,000	6/27/01	1/1/2022	3.30 to 5.00
2001 Series C	8,695,000	3,920,000	6/27/01	1/1/2033	4.10 to 5.50
2001 Series D	18,355,000	6,350,000	6/27/01	7/1/2032	3.55 to 5.60
2001 Series E	2,620,000	965,000	6/27/01	7/1/2033	5.50
2001 Series I	45,000,000	13,740,000	10/4/01	7/1/2033	3.05 to 5.30
2002 Series A	16,955,000	7,750,000	3/28/02	7/1/2034	4.00 to 5.30
2002 Series B	13,045,000	2,920,000	3/28/02	1/1/2034	2.05 to 5.30
2002 Series C	40,000,000	20,625,000	8/15/02	1/1/2034	2.30 to 5.40
2003 Series A	10,680,000	5,185,000	4/10/03	7/1/2034	2.95 to 4.90
2003 Series B	19,320,000	7,620,000	4/10/03	1/1/2034	1.35 to 5.00
2003 Series C	10,945,000	5,880,000	10/1/03	7/1/2016	1.15 to 4.60
2003 Series D	31,080,000	10,410,000	10/1/03	7/1/2024	3.00 to 5.30
2003 Series E	25,000,000	14,190,000	10/1/03	7/1/2034	1.85 to 5.40
2004 Series A	30,000,000	17,375,000	2/26/04	7/1/2034	1.35 to 4.80
2004 Series B	34,500,000	21,810,000	7/28/04	7/1/2035	1.75 to 5.52
2004 Series C	9,490,000	6,745,000	10/27/04	1/1/2034	2.80 to 4.80
2004 Series D	15,510,000	9,240,000	10/27/04	7/1/2035	2.10 to 4.85
2005 Series A	3,265,000	2,270,000	5/24/05	7/1/2017	3.85 to 4.10
2005 Series B	24,545,000	12,315,000	5/24/05	1/1/2026	2.90 to 4.55
2005 Series C	19,940,000	15,130,000	5/24/05	7/1/2035	2.95 to 5.00
2005 Series D	30,000,000	24,860,000	10/19/05	7/1/2035	3.15 to 5.00
2006 Series A	5,445,000	4,220,000	3/15/06	7/1/2021	3.20 to 4.30
2006 Series B	19,555,000	16,835,000	3/15/06	7/1/2036	4.70 to 5.00
2006 Series C	49,000,000	43,615,000	7/25/06	7/1/2036	3.875 to 5.625
2006 Series D	25,000,000	21,750,000	11/15/06	7/1/2032	3.65 to 4.85
2006 Series E	10,000,000	9,865,000	11/15/06	1/1/2037	Variable
2007 Series A	2,925,000	2,350,000	4/25/07	7/1/2017	3.50 to 3.95
2007 Series B	62,055,000	55,805,000	4/25/07	7/1/2037	3.70 to 5.50
2007 Series C	14,285,000	14,285,000	4/25/07	1/1/2038	Variable
2007 Series D	40,000,000	39,780,000	10/11/07	1/1/2038	3.85 to 5.50
2008 Series A	22,630,000	22,630,000	7/30/08	7/1/2033	2.40 to 5.00
2008 Series B	72,370,000	72,370,000	7/30/08	7/1/2038	3.00 to 5.875
2008 Series C	20,000,000	20,000,000	8/14/08	7/1/2038	2.40 to 5.375
TOTALS	<u>\$1,056,955,000</u>	<u>\$593,550,000</u>			

Investment Agreement for the Bonds

Moneys deposited in certain Funds and Accounts of the Authority established by the Resolution related to the Bonds (excluding the Bond Proceeds Account, Costs of Issuance Account and Rebate Account) may be invested under one or more investment agreements with a financial institution or institutions to be selected after the issuance of the Bonds. A copy of any such investment agreement will be on file with the Trustee following its execution and delivery by the parties. For a description of investment agreements that will qualify as Investment Obligations under the Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION-Definition of Certain Terms."

Investment Agreements Relating to Other Series of Resolution Bonds

Moneys deposited in certain Funds and Accounts of the Authority established by the Resolution related to the Prior Bonds are or will be invested in accordance with the terms of the Resolution under investment agreements with the following providers: Bayerische Landesbank Girozentrale, Trinity Plus Funding Company, LLC, Transamerica Life Insurance and Annuity Company, Calyon and San Sabia Capital Corp. Attached hereto as Appendix E is a description of the outstanding investment agreements.

The ability of the Authority to successfully operate the Program, and consequently, to make timely payments of principal of and interest on the Bonds and the Prior Bonds, could be materially adversely affected if the parties to the various investment agreements for the Bonds and the Prior Bonds do not honor their obligations thereunder to repay such moneys and the interest thereon at the times and rates set forth in the respective investment agreements.

PROPOSED AMENDMENTS TO GENERAL RESOLUTION

The Authority has authorized the 2006 Supplemental Resolution as described in the Authority's 2006 Series C Series Resolution to amend certain provisions of the General Resolution which will become effective only upon the consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) of the Resolution Bonds Outstanding. Such consent will be deemed received from the Holders of Resolution Bonds (including the Bonds) issued on and after July 25, 2006. To date, after giving effect to the issuance of the Bonds, such consent will be deemed to have been received from the Holders of approximately 50.96% in principal amount of the Resolution Bonds Outstanding (including the Bonds). The 2006 Supplemental Resolution will amend certain provisions of the General Resolution as set forth below.

The Resolution currently defines Mortgage-Backed Securities as GNMA Securities and Fannie Mae Securities. The proposed amendments made by the 2006 Supplemental Resolution would expand the definition of Mortgage-Backed Securities to include GNMA Securities and Fannie Mae Securities plus FHLMC Securities and/or securities of any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase or guarantee timely payment of mortgage loans secured by pools of Mortgage Loans issued and acquired pursuant to the Program, the inclusion of which will not adversely affect the rating on the Resolution Bonds. "FHLMC Securities" are participation certificates, recorded in the name of the Trustee or its nominee, under which the full and timely payment of interest and principal is guaranteed by the Federal Home Loan Mortgage Corporation, or any successor thereto, and which represent a proportional undivided ownership interest in Mortgage Loans.

The General Resolution provides that, in certain cases, a resolution of the Authority amending or supplementing the General Resolution may be adopted modifying the provisions of the General Resolution or releasing the Authority from the obligations, covenants, agreements, limitations, conditions or restrictions contained therein. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION-Modifications of Resolution and Outstanding Bonds of a Series." Any such resolution of the Authority making the modifications described above will be effective upon the filing with the Trustee of a copy thereof certified by the President of the Authority and the consent of those Holders who hold at least 66-2/3% in principal amount of the Resolution Bonds Outstanding at the time of such consent is given. In addition to any and all consents obtained from Holders of other Resolution Bonds now Outstanding under the General Resolution, each initial purchaser and all subsequent transferees of the Bonds and all Resolution Bonds issued hereafter under the General Resolution shall be deemed to have consented to the proposed amendments made by the 2006 Supplemental Resolution described hereinabove, unless such purchaser or transferee specifically revokes such consent in writing filed with the Trustee prior to the date on which such amendments become effective in accordance with the Resolution. Consents of Resolution Bondholders to amendments to the General Resolution may not be revoked following the date that such amendments become effective in accordance with the Resolution.

THE PROGRAM

General

Funds made available by the issuance of the Bonds shall be used to provide funds for the Program. The Authority has entered into separate Mortgage Origination Agreements (collectively, the "Origination Agreement") with the respective Mortgage Lenders and U. S. Bank N.A. operating by and through its U. S. Bank Home Mortgage - MRBP Division (the "Servicer"). From time to time, the Authority and the Servicer may enter into additional Origination Agreements with new Mortgage Lenders who desire to participate in the Program. The Origination Agreement shall incorporate by reference the Program Guide of the Authority (the "Program Guide") which shall set forth the programmatic requirements of the Program which may be amended and supplemented by the Authority. Under the current Program, the Trustee, on behalf of the Authority, will purchase from the Servicer or Fannie Mae, as applicable, Mortgage-Backed Securities guaranteed as to timely payment of principal and interest by GNMA or Fannie Mae and backed by pools of Mortgage Loans which have been made by a Mortgage Lender to qualified persons (the "Mortgagors") to finance the purchase of homes located within the State, all in accordance with the Origination Agreement. Each Mortgage Lender has agreed to originate Mortgage Loans and to sell such Mortgage Loans to the Servicer, which has agreed, pursuant to the Program Administration and Servicing Agreement, including the supplements thereto (the "Servicing Agreement") entered into between the Authority and the Servicer,

to issue, or, in the case of Fannie Mae Securities, cause to be issued, upon the approval of GNMA or Fannie Mae, Mortgage-Backed Securities backed by pools of such Mortgage Loans for purchase by the Trustee. The Servicer has agreed to review each Mortgage Loan and Mortgagor for compliance with the provisions of the GNMA or Fannie Mae guidelines, as applicable. See "GNMA MORTGAGE-BACKED SECURITIES" and "FANNIE MAE MORTGAGE-BACKED SECURITIES" herein.

The Mortgage Loans will be fixed interest rate mortgage loans with level monthly payments of principal and interest. Each Mortgage Loan made by a Mortgage Lender must satisfy the requirements of the Code, the rules and regulations of the Authority, the Origination Agreement and the Program Guide. The period for the origination of Mortgage Loans by the Mortgage Lenders allocable to the Bonds has begun. The period for the acquisition of Mortgage-Backed Securities by the Trustee will begin on December 18, 2008, and extend, unless further extended as discussed below, until August 1, 2009 (the "Delivery Period"). The Delivery Period may be extended pursuant to the Resolution as described in "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION-Program Fund; Bond Proceeds Account; Acquisition Account" in Appendix A attached hereto, until October 1, 2009.

The Authority expects that the Mortgage Loans to be funded from the proceeds of the Bonds will bear a fixed interest rate for the term of the Mortgage Loan. The Authority may adjust the fixed rate of which Mortgage Loans are originated during the Origination Period. The Authority also intends to charge Mortgagors up to one point plus Mortgagors are currently required to pay Mortgage Lenders a one point origination fee. The Resolution also provides that the Authority will receive a fee (the "Authority Fee") on each Bond Payment Date. The Authority expects that the Authority Fee will be equal to .10% annually (one-half payable semiannually) of the then outstanding principal amount of the Mortgage-Backed Securities held with respect to the Bonds. Under certain circumstances, the Authority Fee may, from time to time, be reduced, be waived, or with the written confirmation of each rating agency providing a rating for the Bonds, be increased.

The Mortgage Lenders will not commit in advance to originate Mortgage Loans in any particular amount. Upon receipt of an application from a person considered by the Mortgage Lender to be eligible to obtain a Mortgage Loan, the Mortgage Lender will contact the Authority and obtain a reservation of funds for such Mortgage Loan. Mortgage Loans are to be made only to persons who qualify under the Authority's eligibility criteria and under Section 143 of the Code. The Authority and the Mortgage Lenders will review each Mortgage Loan for compliance with the Origination Agreement and the Code. See "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM DOCUMENTS" herein.

Eligibility

The Mortgage Loans must comply with the terms of the Act, Section 143 of the Code, the Resolution, and the Origination Agreement. In general terms, each Mortgage Loan must be made to a Mortgagor (i) who intends to occupy the home financed by such Mortgage Loan as such Mortgagor's principal place of residence within sixty days after the date of such Mortgage, (ii) who has not had a present ownership interest in a principal residence for the three years preceding the date of Mortgage Loan (provided that this requirement is not applicable to a Mortgagor financing a home located in certain targeted areas (a "Targeted Area Home") or to Mortgage Loans to certain veterans), (iii) who has not had a prior mortgage loan (other than a construction period loan, bridge loan or similar temporary initial financing with a term of 24 months or less) on such home at any time prior to the execution of the Mortgage Loan, and (iv) whose Annual Household Income does not exceed the following limits: with respect to other than Targeted Area Homes, each Mortgage Loan must be made to a Mortgagor whose Annual Household Income for the purposes of the Program does not exceed 115% (100% for one or two person families) of the median family income determined by HUD for the applicable metropolitan statistical area, county or the State, whichever is greater ("Median Family Income"); with respect to Targeted Area Homes, up to one-third in aggregate principal amount of the Mortgage Loans may be made without regard to any income limitations and the balance must be made to a Mortgagor whose Annual Household Income does not exceed 140% (120% for one or two person families) of the Median Family Income.

Targeted areas consist of certain counties in the State which are areas of "chronic economic distress" as designated and approved by the Code and as set forth in an exhibit to each Origination Agreement. Pursuant to the Code, up to 20% of the applicable lendable proceeds of the Bonds may be required to be made available to finance Targeted Area Homes during a period of one year following the date that such financing is first made available (the "Targeted Area Requirement").

The maximum Annual Household Income of eligible Mortgagors under the Program have been established for the various counties in Arkansas based on limits set by the Authority, not to exceed those permitted by the Code, and determined separately for Targeted Areas and for families of one or two persons and families of three or more persons. Such maximum family income limits are subject to change from time to time by the Authority upon the publication of new household income data by HUD or the determination of an area as a "high housing cost area."

Under the Program, each Mortgage Loan must be originated for the purpose of financing a home, the acquisition cost of which does not exceed 90% (110% in targeted areas) of the applicable Average Area Purchase Price. The Authority sets such limits in compliance with the Code, and such limits are subject to change from time to time. The Authority has not elected to increase the maximum purchase price for Targeted Area Homes as permitted by the Code.

Mortgages. Under the Program as administered to date, each Mortgage shall (i) create a first lien (subject only to certain permitted encumbrances) on a home; (ii) either be (a) an FHA-insured, VA-guaranteed, or RD-guaranteed Mortgage, with respect to GNMA Securities, or (b) an RD-guaranteed or a conventional Mortgage, with respect to Fannie Mae Securities; (iii) be grouped together in Mortgage Pools to back the Mortgage-Backed Securities to be purchased by the Trustee; (iv) bear a fixed interest rate; and (v) be for a term of 30 years. The Mortgages are assumable, but only if certain conditions have been met. Other provisions of the Code also apply to a person assuming a Mortgage. The Authority may provide for the purchase of first lien or second lien Mortgage Loans upon receipt by the Trustee of a Rating Confirmation of the Outstanding Resolution Bonds and a Certificate of Projected Revenues.

Recapture Provision

Upon the disposition of a home financed with proceeds of qualified mortgage bonds, the Mortgagor, under certain circumstances, is required by the Code to pay to the federal government an amount equal to the subsidy provided by such financing (the "Recapture Provision"), provided that the home is sold within nine years from the time the Mortgage Loan is made. Full recapture of the subsidy (not in excess of 50% of the Mortgagor's gain from the sale of the residence) will occur if the home is sold in the fifth year of purchase, and recapture would phase out in years six through nine. Recapture is reduced (but not below zero) for mortgagors whose income (when the home is disposed of) is below certain income limits. On July 19, 2007, the Board of Directors of the Authority voted unanimously to accept a Program change that allows the Authority the discretion to reimburse recapture tax paid by mortgagors. Beginning with funds reserved on September 1, 2008 or after, mortgagors can be reimbursed for recapture tax they are required to pay. The President of the Authority, at his sole discretion, can suspend this reimbursement program.

Down Payment Assistance Program

The Authority has a down payment assistance program that the Authority has the option to use to provide funds for eligible Mortgagors to assist in satisfying the down payment required to purchase a home and for customary closing costs. Under the down payment assistance program, the Authority can offer assistance in the form of a repayable second lien mortgage loan, financed using the Authority's unencumbered assets, in amounts ranging from \$1,000 to \$6,000. Borrowers with adjusted Annual Household Incomes less than 80% of the Area Median Income may be eligible for down payment assistance in the form of a forgivable loan, which is funded using the United States Department of Housing and Urban Development HOME Investment Partnership Program, in amounts up to 6% of the purchase price not to exceed \$10,000.

The Authority has the power to issue Resolution Bonds under the General Resolution for the financing of second lien down payment assistance mortgage loans upon receipt by the Trustee of a Rating Confirmation of the Outstanding Resolution Bonds.

CASH FLOW ASSUMPTIONS

The Authority estimates that in each year in which the Bonds are Outstanding, there will be sufficient moneys available under the Resolution to pay the projected principal and Redemption Price of, and interest on the Outstanding Resolution Bonds. Further, the interest rate on the Eligible Collateral will be established at a rate so that payments of principal of and interest on the Eligible Collateral plus money on deposit in the various Funds and Accounts (as well as earnings thereon, except those required to be remitted to the United States) will generate sufficient revenues to pay on a timely basis the principal of and interest on the Bonds on the basis of the following assumptions:

(1) Subject to clause (7) below, the Trustee will purchase from the Servicer or Fannie Mae, as applicable, new Mortgage-Backed Securities having an interest rate of 4.625% to 5.75% per annum (backed by Mortgage Pools consisting of Mortgage Loans having an interest rate of 5.125% to 6.25% per annum), at a price of 99.5% of the outstanding principal amount thereof, plus accrued interest, pursuant to the terms of the Servicing Agreement, the Pool Contract, and the Resolution. Approximately \$30,150,000 in principal amount of Mortgaged-Backed Securities are assumed to be purchased by the Trustee with funds made available by the issuance of the Bonds on December 18, 2008. No Mortgage-Backed Securities are assumed to be purchased after December 18, 2008.

(2) All new Mortgage Loans will have 30-year terms. The new Mortgage-Backed Securities will have a weighted average maturity of less than 30 years at the time they are purchased by the Trustee.

(3) The Trustee will receive a fee semiannually, in arrears, on each Bond Payment Date in an amount equal to one-half of .044% of the principal amount of the Bonds Outstanding on such date.

(4) The Authority will receive an annual Authority Fee semiannually, in arrears, on each Bond Payment Date in an amount equal to one-half of .10% the then outstanding principal amount of Mortgage-Backed Securities held with respect to the Bonds.

(5) To the extent that the proceeds of the Bonds are not used to purchase Mortgage-Backed Securities (or participation interests therein), or Mortgage Loans, in the amount anticipated, they will be used instead to redeem the Bonds; and other Revenues will be sufficient to pay debt service on the remaining Bonds.

(6) All excess Revenues received from the Eligible Collateral purchased, directly or indirectly, with the proceeds of the Bonds, will be used to redeem the Bonds.

(7) In order to comply with certain requirements of the Code concerning yield restrictions applicable to the Program, the Authority will acquire certain participations in Fannie Mae Securities or GNMA Securities.

However, there can be no assurance whatsoever that actual events will correspond to the foregoing assumptions.

GNMA MORTGAGE-BACKED SECURITIES

Set forth below is a description of the GNMA Securities which will comprise a portion of the Mortgage-Backed Securities so acquired and which provide a portion of the security for the Bonds pursuant to the Resolution.

GNMA Mortgage-Backed Securities Programs

The Government National Mortgage Association (“GNMA”) is a wholly-owned corporate instrumentality of the United States of America (the “U.S.”) within the Department of Housing and Urban Development with its principal office in Washington, D.C.

This summary of GNMA custom-pool, fully-modified mortgage-backed securities (the “GNMA Securities”) and the other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide: GNMA Handbook 5500.1 and 5500.2 (the “GNMA Guide”) published by GNMA and to said documents for full and complete statements of their provisions. The procedures described below and the GNMA Guide are those presently in effect and are subject to change at any time by GNMA.

There are two GNMA mortgage-backed securities programs, the GNMA I Program and the GNMA II Program. Each GNMA Security will be issued under either the GNMA I Program or the GNMA II Program. The principal differences between the two programs pertain to the minimum Mortgage Pool size established by GNMA, the permitted interest rate structure of the mortgages backing the GNMA Securities, and the means of payment of principal of and interest on the GNMA Securities to the holders thereof. Those differences would not affect the availability of Revenues for the payment of principal of and interest on the Bonds.

Each GNMA Security is to be backed by a Mortgage Pool consisting of Mortgage Loans in a minimum aggregate amount of \$1,000,000 (or such lesser amount as may be approved by GNMA). Under the GNMA I Program, the Servicer will be required to pay to the Trustee, as the holder of the GNMA Securities issued by the Servicer, the regular monthly installments of principal and interest on the Mortgage Loans which back such GNMA Securities (less the Servicer's servicing fee, which includes the GNMA guaranty fee). Under the GNMA II Program, the Servicer will be required to pay such amounts to J. P. Morgan Chase Bank, as Central Paying and Transfer Agent for the GNMA II Program (the “CPTA”), and the CPTA will be required to pay to the Trustee, as the holder of the GNMA Security, the regular monthly installments of principal and interest on the Mortgage Loans backing such GNMA Security. Under either GNMA Program, whether or not the Servicer receives such installments, the Servicer is required to make such payment, and to transfer any Mortgage Prepayments received by such Servicer in the previous month. GNMA guarantees the timely payment of the principal of and interest on the GNMA Securities.

Mortgage Loans underlying a particular security issued pursuant to the GNMA I Program (a “GNMA I Security”) must have the same annual interest rate. The annual pass-through rate on each GNMA I Security is 0.5% less than the annual interest rate on the Mortgage Loans included in the Mortgage Pool backing such GNMA I Security. Mortgage Loans underlying a particular security issued pursuant to the GNMA II Program (a “GNMA II Security”) may have annual interest rates that vary from each other by up to 1%. Currently, the annual pass-through rate on the GNMA II Securities issued pursuant to the Authority's Program will be 0.5% less than the annual interest rate on the Mortgage Loans. Each Mortgage Loan underlying a GNMA Security, at the time GNMA issues its guarantee commitment, must be originated no more than 12 months prior to such commitment date.

In order to issue the GNMA Securities, the Servicer must first apply to and receive from GNMA a commitment to guarantee mortgage-backed securities (a “GNMA Commitment”) which authorizes the Servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the GNMA Commitment. The Servicer is required to pay the application fee to GNMA for such commitments. The amount of GNMA Commitments that GNMA can approve in any federal fiscal year is limited by statute and administrative procedures. No assurance can be given that in the future the Servicer will be authorized by GNMA's administrative procedures to obtain GNMA Commitments with respect to some or all of the Mortgage Loans, or that GNMA has or will have any authority remaining to approve GNMA Commitments during the federal fiscal year in which the Servicer submits a request for GNMA Commitments. Bonds will be redeemed from proceeds thereof that have not been applied to purchase of Mortgage-Backed Securities (including GNMA Securities) as of the end of the Delivery Period.

The issuance of each GNMA Security by the Servicer is subject to the following conditions, among others: (i) the purchase by the Servicer from Mortgage Lenders of Mortgage Loans in a minimum aggregate principal amount at least equal to the minimum size permitted by GNMA for each GNMA Security (such origination being subject, among other conditions, to the availability of FHA mortgage insurance and VA and RD guarantees), (ii) the submission by the Servicer to GNMA of certain documents required by GNMA in form and substance satisfactory to GNMA, (iii) the Servicer's continued compliance, on the date of issuance of the GNMA Security, with all of GNMA's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Servicer's continued approval by GNMA to issue GNMA Securities, and (v) the Servicer's continued ability to issue, execute and deliver the GNMA Security, as such ability may be affected by the Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the Servicer is subject to the condition that GNMA must have entered into a guaranty agreement with the Servicer. The conditions to GNMA entering into such an agreement may change from time to time, and there can be no assurance that the Servicer will be able to satisfy all such requirements in effect at the time a GNMA Security is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Security is to be purchased by the Trustee.

GNMA Securities

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 which are based on and backed by, among other things, a mortgage insured by FHA under the National Housing Act, guaranteed by RD under the Housing Act of 1949, or guaranteed by VA under the Servicemen's Readjustment Act of 1944 or Chapter 37 of Title 38 of the United States Code. Said 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 under this subsection." An opinion dated December 9, 1969, of an assistant Attorney General of the United States states that such guaranties under said Section 306(g) of mortgage-backed securities of the type to be delivered to the Trustee by the Servicer are authorized to be made by GNMA and "... would constitute general obligations of the United States backed by its full faith and credit."

GNMA Borrowing Authority

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 Department of the Treasury (the "Treasury") 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 Securities. The Treasury 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 will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA will warrant to the Trustee, as the holder of the GNMA Securities, that, in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on any GNMA Security, it will, if necessary, in accordance with the aforesaid Section 306(d), apply to the Treasury for a loan or loans in amounts sufficient to make such payment.

Servicing of the Mortgage Loans Securing GNMA Securities

Under the Servicing Agreement, the Servicer will be responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage lending industry and the GNMA Servicer's Guide.

The monthly remuneration of the Servicer, for servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the GNMA Securities outstanding. In compliance with GNMA regulations and policies, the total of these servicing and guaranty fees equals 0.50% per annum, for both the GNMA I Securities and the GNMA II Securities under the GNMA Program, calculated on the principal balance of each GNMA Security outstanding on the last day of the month preceding such calculation. Currently, each GNMA Security carries an interest rate that is fixed at 0.50% per annum below the interest rate on the Mortgage Loans because the servicing and guaranty fee is deducted from payments on the Mortgage Loans before such payments are forwarded to the Trustee.

It is expected that interest and principal payments on the Mortgage Loans received by the Servicer will be the source of money for payments on the GNMA Securities. If such payments are less than the amount then due, the Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments of principal and interest due on the GNMA Securities. GNMA guarantees such timely payment in the event of the failure of the Servicer to pass through an amount equal to such scheduled payments (whether or not made by the Mortgage Loans).

The Servicer will be required to advise GNMA in advance of any impending default on scheduled payments so that GNMA, as guarantor, will be able to continue such payments as scheduled. However, if such payments are not received as scheduled, the Trustee will have recourse directly to GNMA.

Guaranty Agreement

The GNMA guaranty agreement to be entered into by GNMA and the Servicer upon issuance of the GNMA Security (the "GNMA Guaranty Agreement") will provide that, in the event of a default by the Servicer, including (i) a request to GNMA to make a payment of principal or interest on a GNMA Security when a Mortgagor is in default under his Mortgage Note, (ii) insolvency of the Servicer, or (iii) default by the Servicer under any other guaranty agreement with GNMA, 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, and the Mortgage Loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Security. In such event the GNMA Guaranty Agreement will provide that on and after the time GNMA directs such a letter of extinguishment to the Servicer, GNMA shall be the successor in all respects to the Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Servicer's indemnification of GNMA), theretofore placed on the Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the GNMA Security, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal of and Interest on the GNMA Securities

Regular monthly installment payments on each GNMA Security are required to begin in the first month following the date of issuance of such GNMA Security. In the case of a GNMA I Security, such payment is to be made to the Trustee on the fifteenth day of each month and, in the case of a GNMA II Security, such payment is required to be mailed by the CPTA to the Trustee on the twentieth day of each month. Each payment will be equal to the aggregate amounts of the scheduled monthly principal and interest payments on each Mortgage Loan in the Mortgage Pool backing the GNMA Security, less the current monthly servicing and guaranty fees of one-twelfth of 0.50% (in the case of a GNMA I Security or a GNMA II Security under the Authority's Program) of the outstanding principal balance. In addition, each payment is required to include any Mortgage Prepayments on Mortgage Loans underlying the GNMA Security that were received during the preceding calendar month.

FANNIE MAE MORTGAGE-BACKED SECURITIES

Set forth below is a description of the Fannie Mae Securities which will comprise a portion of the Mortgage-Backed Securities so acquired, and which provide a portion of the security for the Bonds pursuant to the Resolution.

Fannie Mae Mortgage-Backed Securities Program

The Federal National Mortgage Association ("Fannie Mae") is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. §§1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transformed into a stockholder-owned and privately-managed corporation by legislation enacted in 1968. The Secretary of HUD exercises general regulatory power over Fannie Mae. Fannie Mae provides funds to the mortgage market primarily by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools or mortgage loans from lenders.

ALTHOUGH THE SECRETARY OF THE TREASURY OF THE UNITED STATES HAS DISCRETIONARY AUTHORITY TO ADVANCE FUNDS TO FANNIE MAE, NEITHER THE UNITED STATES NOR ANY AGENCY OR INSTRUMENTALITY THEREOF IS OBLIGATED TO FINANCE FANNIE MAE'S OBLIGATIONS OR TO ASSIST FANNIE MAE IN ANY MANNER.

FANNIE MAE HAS IMPLEMENTED A MORTGAGE-BACKED SECURITIES PROGRAM PURSUANT TO WHICH FANNIE MAE ISSUES SECURITIES BACKED BY POOLS OR MORTGAGE LOANS (THE "FANNIE MAE MBS PROGRAM"). THE OBLIGATIONS OF FANNIE MAE, INCLUDING ITS OBLIGATIONS UNDER THE FANNIE MAE SECURITIES, ARE OBLIGATIONS SOLELY OF FANNIE MAE AND ARE NOT BACKED BY, OR ENTITLED TO, THE FULL FAITH AND CREDIT OF THE UNITED STATES.

The terms of the Fannie Mae MBS Program are governed by the MBS Selling and Servicing Guides published by Fannie Mae (the "Fannie Mae Guides"), as modified by the Pool Contract (defined below), and, in the case of the Mortgage Loans described herein, a Trust Indenture dated as of November 1, 1981, as amended, and a supplement thereto to be issued by Fannie Mae in connection with each pool. The Fannie Mae MBS Program is further described in the prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The most recent Fannie Mae Prospectus is dated November 1, 1994 and is updated from time to time. No Fannie Mae Prospectus Supplement will be available as to the Fannie Mae Securities.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statement are available without charge from Vice President for Investors Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-6724 or (800) 237-8627).

The summary of the Fannie Mae MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides as presently in effect, the Fannie Mae Prospectus and the other documents referred to herein, all of which are subject to change at any time by Fannie Mae.

Pool Purchase Contract

It is expected that Fannie Mae and the Servicer will enter into a Pool Purchase Contract (the "Pool Contract"), pursuant to which the Servicer will be permitted to deliver, and Fannie Mae will agree to purchase, pools of Mortgage Loans in exchange for Fannie Mae Securities. The purpose of the Pool Contract is to provide for certain additions, deletions, and changes to the Fannie Mae Guides relating to the purchase of Mortgage Loans. In the event of a conflict between the Pool Contract and the Fannie Mae Guides, the Pool Contract will control. The description set forth below assumes that the Pool Contract will be executed substantially in the form customarily negotiated by Fannie Mae in similar financings as of the date hereof. There can be no assurance that a Pool Contract can be successfully negotiated, and no representation is made as to the amount, if any, of Fannie Mae Securities which will secure the Bonds.

Under the Pool Contract, Fannie Mae will purchase Mortgage Loans eligible under the guidelines set forth in the Fannie Mae Guides which conform to the conditions set forth in the Pool Contract.

Pursuant to the Fannie Mae Guides, the original principal balance of conventional Mortgage Loans to be sold to Fannie Mae was raised to an amount not to exceed \$417,000 to be eligible for purchase by Fannie Mae. The Mortgage Loans must be conventional Mortgage Loans with loan-to-value ratios not in excess of 100% and must otherwise meet the requirements of Fannie Mae. Conventional Mortgage Loans with loan-to-value ratios exceeding 80% must have the principal amount of the indebtedness in excess of 75% of the appraised value of the home insured by a policy of primary mortgage insurance acceptable to Fannie Mae.

Under the Pool Contract, the 97% loan-to-value limitation for Mortgage Loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio shall not exceed 105% where subordinate financing is used that complies with the terms of the Fannie Mae Guides. The Pool Contract also provides that, in underwriting Mortgage Loans for the Fannie Mae Community Lending Products, certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Contract obligates the Servicer to service the Mortgage Loans in accordance with the requirements of the Fannie Mae Guides and the Pool Contract.

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of \$250,000, unless otherwise approved by Fannie Mae. The monthly remuneration of the Servicer for its servicing and administrative functions, and the guaranty fee charged by Fannie Mae, are based on the unpaid principal amount of the Fannie Mae Securities outstanding. The Fannie Mae Securities currently carry an interest rate that is fixed at .50% below the interest rate on the underlying Mortgage Loans; the Servicer's servicing fee (equal to .50% of the outstanding principal balance of the Mortgage Loans) are deducted from payments on the Mortgage Loans before payments are passed through to the holder of the Fannie Mae Securities. The Servicer is required to pay the Fannie Mae guaranty fee out of the Servicer's servicing fee it receives.

Fannie Mae will guarantee to the Trustee, as the registered holder of the Fannie Mae Securities, that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Mortgage Loans in the pools represented by such Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. **The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the holder of Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Securities, would be affected by delinquent payments and defaults on such Mortgage Loans.**

Payments of Mortgage Loans; Distributions on Fannie Mae Securities

Payments on a Fannie Mae Security will be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Security is issued), or if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loans in the related pool underlying such Fannie Mae Security during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose any Mortgage Loans repurchased by Fannie Mae because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase such Mortgage Loan under certain other circumstances as permitted by the Trust Indenture), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

THE TRUSTEE

Simmons First Trust Company, N.A. will act as Trustee for the Bonds. The Trustee has over 60 years experience serving as trustee, paying agent, and registrar for municipalities, school districts, universities, state and county agencies, hospitals, retirement centers, and various non-profit entities. The Trustee currently serves as trustee and/or paying agent for approximately 174 issues representing approximately \$2.5 billion of bond debt outstanding. Of these issues, the Trustee serves as trustee for approximately 138 bond issues representing approximately \$2.2 billion in debt outstanding.

THE SERVICER

The Servicer for over ninety-percent (90%) of the Mortgage Loans financed, directly or indirectly, by the Prior Bonds and the Bonds is U. S. Bank N.A., operating by and through its U. S. Bank Home Mortgage-MRBP Division. The holding company for U. S. Bank N.A. is U. S. Bancorp. The address of the Servicer is 17500 Rockside Road, Bedford, Ohio 44146 and its telephone number is (216) 475-8707.

As of September 30, 2008, the Servicer serviced 134,381 single-family mortgage loans with an aggregate principal balance of approximately \$12.1 billion. The Servicer currently services single-family mortgage loans for mutual savings banks, life insurance companies, savings and loan associations and commercial banks, as well as Fannie Mae, GNMA and FHLMC.

As of September 30, 2008, according to its unaudited quarterly financial statements, the Servicer had total assets of \$247.1 billion and a net worth of \$21.7 billion. For the nine months ended September 30, 2008, the Servicer, through its MRBP Division, originated and purchased single-family mortgage loans in the total principal amount of approximately \$2.0 billion.

The Servicer is (i) an FHA- and VA-approved lender in good standing, (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA and (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities.

The Servicer is not liable for the payment of the principal of the Bonds or the interest or redemption premium, if any thereon.

SUMMARY OF CERTAIN PROVISIONS OF PROGRAM DOCUMENTS

The following summary of the Program documents that apply to Mortgage Loans that back Mortgage-Backed Securities securing the Bonds and does not purport to be comprehensive or definitive and the procedures and criteria described may not be required by the Resolution. The Authority has covenanted to take all steps necessary to preserve the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds under the Code to the extent applicable. *In the event that the Authority finances Mortgage Loans that do not back Mortgage-Backed Securities, the Authority will develop Program documents relating to the origination and servicing of such Mortgage Loans.*

Origination Agreement

Each of the participating Mortgage Lenders will enter into an Origination Agreement with the Authority and the Servicer under which the Mortgage Lender will agree to originate and sell Mortgage Loans to the Servicer on behalf of the Authority. In certain instances, affiliated offices of Mortgage Lenders may originate Mortgage Loans. The term Mortgage Lender shall encompass such affiliated offices.

The Servicer will purchase Mortgage Loans for new and existing homes. Each Mortgage Loan must be dated subsequent to the date of the execution and delivery by the Authority of the Origination Agreement and must be closed, recorded and insured or guaranteed, as applicable, prior to the date of its delivery to the Servicer.

Pursuant to the Origination Agreement, which incorporates by reference the Program Guide, each Mortgage Lender will process applications and issue commitment letters for, and originate, Mortgage Loans with the degree of care and skill ordinarily exercised by mortgage lenders in the State or such higher or different standard, if any, which is set forth in the Origination Agreement. Mortgage Lenders are not required to originate any particular amount of Mortgage Loans. The Authority will monitor the amount of Mortgage Loans made to finance Targeted Area Homes during the Origination Period in order to assure compliance with the Targeted Area Requirement.

Each Mortgage Loan is required to be made to a Mortgagor whose Annual Household Income does not exceed limits specified by the Authority and who intends to occupy the home as his principal place of residence within sixty days after the closing date of the Mortgage Loan. The Mortgage Lender is required to exercise due diligence in determining each Mortgagor's Annual Household Income, including verifying wage income, if any, and examining a copy of the Mortgagor's prior year's signed federal income tax return, if any.

Except in the case of a Targeted Area Home, no Mortgagor may have had a present ownership interest, as defined in the Origination Agreement, in a principal residence of such Mortgagor at any time during the three-year period prior to the date on which the Mortgage Loan is executed.

No home may have a purchase price, pursuant to the Code, which exceeds 110% of the published Average Area Purchase Price in the case of a Targeted Area Home, or, in any other case, 90% of the published Average Area Purchase Price. The Mortgage Lender is required to compute the purchase price for each home on the basis of the information provided in the purchase contract for the home and in the Mortgagor's Affidavit and the Seller's Affidavit, forms of which are attached as exhibits to the Origination Agreement.

After delivery to the Servicer of all required documents, and acceptance of the Mortgage Loans, the Servicer will pay the Mortgage Lender an amount up to 100% of the outstanding principal amount of the Mortgage Loans (plus payment of the Servicing Release Fee), plus accrued interest, if any. The Mortgage Lenders may charge certain fees and charges as permitted by the Origination Agreement.

Each Mortgage Loan must be secured by a Mortgage to finance the purchase of a home located in the State. The Mortgage Note and the Mortgage must contain a "due-on-sale" provision which provides for acceleration of the Mortgage Loan in event of any sale (including sale on contract), assignment, transfer or rental of the residence, if the transaction does not meet certain specified requirements of the Code, or in the event that the Mortgagor fails to occupy the home as his principal residence or misrepresents or omits a fact in the application for the Mortgage Loan, or if the Mortgage Loan fails to qualify as an eligible Mortgage Loan under Section 143 of the Code. An assumption of a Mortgage by a new Mortgagor may be allowed under the Program only if (i) the Authority consents in writing, (ii) the purchaser is an Eligible Mortgagor, subject also to the requirement of initial and continued occupancy of the home as his or her primary residence, (iii) the purchase price of the home does not exceed limits then applicable for such home in the State, (iv) the Mortgage Loan continues to be insured, guaranteed, or otherwise meet the requirements of the Origination Agreement and approved by the Servicer, (v) the purchaser's current Annual Household Income does not exceed the then-current limit, and (vi) the Mortgage Loan must continue to comply with the requirements of FHA, VA, RD, the GNMA Guide, the Fannie Mae Guides or the private mortgage insurer, as applicable. The Recapture Provision applies to assumptions of Mortgage Loans, and a new nine-year period begins on the date of assumption for purposes of the Recapture Provision.

The federal Homeowners Protection Act of 1998 provides that for single family residential mortgages with private mortgage insurance policies originated after July 28, 1999, with certain exceptions, the private mortgage insurance policy will be terminated (i) at the homeowner's request when the loan balance reaches 80% of the original value of the residence if there is a good payment history, the property value is not less than its original value and there is no subordinate lien, (ii) automatically when the loan balance reaches 78% of the original value of the residence and the loan payments are current, or (iii) in any event, on the date that is the midpoint of the loan term if loan payments are current.

Each Mortgage Loan must be accompanied by a policy of title insurance to the effect that the Mortgage is a valid first and prior lien, free and clear of all other liens and encumbrances on the mortgaged property, subject only to liens encumbrances and clouds on the legal title of a home permitted by FHA, VA, RD, the GNMA Guide, the Fannie Mae Guides, or the private mortgage insurer, as applicable.

Pursuant to the Origination Agreement, in the case of GNMA Securities, the following must be delivered to the Servicer acting as the GNMA custodian: (1) the properly recorded Mortgage; (2) the properly recorded assignment of

mortgage; (3) the final title insurance policy; (4) the FHA mortgage insurance certificate or evidence of the VA or RD guaranty, as applicable; and (5) any other documents required by the Servicer. Similar provisions are applicable in the case of Fannie Mae Securities.

Servicing Agreement

The Authority has contracted with the Servicer to handle the servicing of Mortgage Loans that will back Mortgage-Backed Securities to be originated and purchased from the proceeds of Bonds pursuant to the Servicing Agreement among the Authority and the Servicer. The Servicing Agreement sets forth the general requirement for servicing such Mortgage Loans anywhere within the State.

Issuance and Sale of Mortgage-Backed Securities. The Servicer is required during the Delivery Period to use its best efforts to purchase Mortgage Loans from Mortgage Lenders in accordance with the terms of the Servicing Agreement and to submit an appropriate application to GNMA for commitments for the guaranty by GNMA of the issuance of GNMA Securities. The Servicer is further required to use its best efforts during the Delivery Period to deliver Mortgage Loans to Fannie Mae for purchase in accordance with the Pool Contract. The Servicer shall exercise its best judgment to cause the aggregation of Mortgage Loans to occur to enable the formation of Mortgage Pools consisting of Mortgage Loans with minimum aggregate principal amounts of \$1,000,000 under the GNMA I Program, \$500,000 under the GNMA II Program, and \$250,000 under the Fannie Mae Pool Contract (or such lesser amount as may be approved by GNMA or Fannie Mae, as applicable) and meeting the requirements of the Origination Agreement in as expeditious a manner as possible. The Servicer may, in its discretion, make the determination to provide for the issuance of Mortgage-Backed Securities at such time as, in the judgment of the Servicer, the amount of Mortgage Loans originated by the Mortgage Lenders is sufficient for the issuance of Mortgage-Backed Securities. The Servicer may aggregate the Mortgages until such time as it deems it advisable to cause the issuance of a Mortgage-Backed Security. The Servicer is required to ensure that the total face amount of any Mortgage-Backed Security will not be such as would either (i) preclude the origination of subsequent Mortgage Loans, or (ii) if Mortgage Loans are originated and a Mortgage Pool is comprised of such Mortgage Loans, preclude the issuance of a Mortgage-Backed Security backed by such Mortgage Pool. The total principal face amount of any issue of Mortgage-Backed Securities shall not exceed the aggregate unpaid principal balances of Mortgage Loans in the Mortgage Pool.

Within 30 days of the issuance of GNMA Securities by the Servicer or Fannie Mae Securities by Fannie Mae, but upon at least 10 Business Days' notice to the Trustee of such purchase, the Trustee will purchase the Mortgage-Backed Securities from moneys in the Acquisition Account.

General. From and after the acquisition of a Mortgage Loan by the Servicer, the Servicer shall service such Mortgage Loan and shall have full power and authority, acting alone, to take such actions as may be necessary to discharge its duties with respect to such servicing, but only in accordance with the Program documents and to the extent no such action would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, which shall include (i) the right to execute and deliver customary consents or waivers and other instruments and documents required in the performance of those duties, (ii) the right to consent to extensions of the Mortgage Loans, transfers of the property encumbered by the Mortgages and/or assumptions of the Mortgage Notes and related Mortgages pursuant to the Program documents, (iii) the right to execute releases from liability of any seller of property encumbered by the Mortgages, (iv) the right to collect any insurance proceeds, and (v) the right to effectuate foreclosure or other conversion of the ownership of the property subject to the Mortgages, provided that the consummation of the foregoing shall not be inconsistent with or prejudice the rights and interest of GNMA or Fannie Mae, as applicable, or the rights and interest of the Trustee or Authority under the Program documents.

The Servicer is required to remit: (i) to the Trustee in the case of a GNMA I Security; (ii) to J. P. Morgan Chase Bank, as Central Bank and Transfer Agent, in the case of a GNMA II Security; and (iii) to Fannie Mae in the case of a Fannie Mae Security, all payments of principal and interest on a Mortgage Loan and any Mortgage Loan Prepayments (less the Servicer's monthly servicing fee, which currently includes the guaranty fee of one-twelfth of 0.06% of the outstanding principal amount of each Mortgage Loan backing a GNMA Security, and one-twelfth of 0.25% of the outstanding principal amount of each Mortgage Loan backing a Fannie Mae Security) that are payable with respect to the Mortgage Loans which back the applicable Mortgage-Backed Securities when any of the same shall be due and payable and to meet all of the Servicer's obligations under the GNMA Guide and the GNMA guaranty agreements, or the Fannie Mae Guides and the Pool Contract, as applicable. The Servicer shall give notice of any payments on a Mortgage-Backed Security that constitute Mortgage Prepayments to the holder and issuer thereof.

Administration. The Servicer and the Authority share responsibility for administering the Program in accordance with the Servicing Agreement, the Origination Agreement and the Program Guide. In general, the Servicer has the responsibility for monitoring compliance with the applicable requirements of FHA, RD, VA, GNMA, Fannie Mae, or a private mortgage insurer regarding the Mortgage-Backed Securities, Mortgage Pools, and Mortgage Loans; the Authority has the responsibility for monitoring compliance with federal tax laws and regulations and Program requirements pertaining to the Mortgages and the Mortgage Loans.

In particular, the Servicer shall review, in accordance with the Origination Agreement, whether (a) all documents specified in the Origination Agreement and the Program Guide as necessary for the purchase of a Mortgage Loan have been submitted and completed properly; (b) all data on the Mortgage Submission Voucher agrees in all material respects with the appropriate underlying documents; (c) the Mortgage Loan is insured or guaranteed or eligible for insurance or

guaranty by the FHA, RD, VA, or a private mortgage insurer, as described in the Origination Agreement; and (d) all of the requirements for the origination of a Mortgage Loan set forth in the Origination Agreement have been satisfied. The Authority shall determine whether the Mortgagor is an Eligible Mortgagor and whether the purchase price is not in excess of the applicable Maximum Purchase Price established in the Origination Agreement and the Program Guide.

Under the GNMA Guide, the Fannie Mae Guides, and the Pool Contract, the Servicer is responsible for loan accounting, and accounting for and management of escrows or sums paid by Mortgagors for payment of taxes, escrow deficiencies, assessments, rents, mortgage and hazard insurance premiums and other expenses. The Servicer must also assure that the property securing each Mortgage Loan is covered by an appropriate standard hazard insurance policy and if applicable, an appropriate flood insurance policy.

The Servicer shall at all times be approved by GNMA as an issuer-servicer of GNMA Securities and as a seller-servicer of Fannie Mae Securities.

During the Delivery Period, the Servicer shall provide written monthly reports to the Authority including information relating to the number and amount of Mortgage Loans acquired by the Servicer, certain information about the Mortgagors, information about the distribution of Mortgage Loans between new construction and existing housing, as well as information the Authority shall be required to furnish in information reports required by the Internal Revenue Service.

The Servicer, so long as any Mortgage Loan remains outstanding, shall report monthly (on the basis of calendar months) to the Authority concerning the servicing of the Mortgage Loans, which shall contain the following: (a) breakdown by each Mortgage-Backed Security of monthly payments to the Trustee by the amount representing scheduled interest, scheduled regular principal payments and prepayments of principal such that under the GNMA Guide, Fannie Mae Guides, or the Pool Contract, as applicable, such principal must be paid to the holder of the Mortgage-Backed Security, and an aggregate summary of such data for all Mortgage-Backed Securities acquired by the Trustee; (b) delinquent status of Mortgage Loans pooled under each Mortgage-Backed Security acquired by the Trustee and an aggregate Mortgage Loan delinquent percentage for all Mortgage-Backed Securities acquired by the Trustee; (c) monthly reconciliation with the Trustee of the outstanding number of Mortgage Loans and the outstanding principal balances on each Mortgage-Backed Security and the aggregate outstanding principal balance for all Mortgage-Backed Securities acquired by the Trustee; and (d) such other information as the Authority or Trustee may reasonably request, from time to time. The Trustee or Authority shall reimburse the Servicer for its costs of providing such other information.

Subject to the approval by the Authority and, to the extent required, by GNMA and Fannie Mae, the obligations and duties of the Servicer under the Servicing Agreement may be assigned to another similarly qualified seller-servicer.

TAX MATTERS

General

The Bonds are being issued as a single issue for certain Federal tax law purposes. The requirements of applicable Federal tax law must be satisfied with respect to the Bonds in order that interest thereon not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof.

Loan Eligibility Requirements Imposed by the Code

General. An issue of bonds is treated as meeting the loan eligibility requirements of applicable Federal tax law if (i) the issuer in good faith attempted to meet all of the loan eligibility requirements before the mortgage loans were executed, (ii) any failure to comply with the loan 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 used to make mortgage loans was used to finance residences that met all such requirements at the time the mortgage loans were executed. In determining whether 95% of the proceeds have been so used, the Code permits the Authority to rely on affidavits of the borrower and of the seller and on examination of copies of the borrower's Federal income tax returns 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, unless the Authority or the participating lender knows or has reason to believe that such information is false. The Code contains the following loan eligibility requirements that are applicable to mortgage loans financed with amounts attributable to the Bonds in order that interest thereon not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof.

Residence Requirement. The Code requires that the premises financed by a mortgage loan be a single-family residence one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided. In the case of a two-to-four family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed. The Authority requires each Mortgagor under a mortgage loan to submit an affidavit stating such person's intention to occupy the premises as his principal residence within 60 days after closing of the mortgage loan and that, in the case of a two-to-four family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence was first occupied as a residence at least five years before the mortgage loan was executed.

First-Time Homebuyer Requirement. The Code requires that at least 95% of the net proceeds of an issue (including within the 95% amount proceeds used to make mortgage loans in targeted areas, for qualified rehabilitation loans or home improvement loans and to certain veterans) must be used to finance residences of mortgagors who have not had a present ownership interest in their principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan. Borrowers must certify as to having had no prior interest in residential property during a three-year period (other than the residence being financed) when applying to a lender for a mortgage loan. The borrower is required to provide Federal income tax returns for the previous three years to allow the lender to verify that no deductions or other entries have been made which would indicate any such ownership interest.

Income Requirements. The Code requires that all of the mortgage loans provided with the proceeds of an issue be provided to borrowers whose family incomes do not exceed 115% of the applicable median family income. An exception is provided for mortgage loans to be made with respect to targeted area residences that permits two-thirds of such loans to be made to borrowers whose family incomes do not exceed 140% of applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation. The Code reduces the permitted income for a family of one or two persons by limiting the percentage to 100% in non-Targeted Areas and to 120% in Targeted Areas. Higher limits may be permitted in “high housing cost areas.” The Authority will verify compliance with these requirements by requiring each borrower to certify as to the amount of his or her family income. Family income includes income of all individuals executing both the note and mortgage and occupying the dwelling as their principal residence.

New Mortgage Requirement. The Code requires that, with certain limited exceptions, no part of the proceeds of an issue of bonds may be used to acquire or replace an existing mortgage. The Authority will verify compliance with the new mortgage requirements by requiring each Mortgagor and property seller to certify, subject to such exceptions, that no refinancing of a prior mortgage is being effected.

Purchase Price Limitations. The Code requires that the purchase price of the residence may not exceed 90% of the average area purchase price applicable to such residence or 110% of the applicable average area purchase price in targeted areas. The Internal Revenue Service has published “safe harbor rules” identifying purchase price limitations in the State which are considered to be in compliance with the requirements of applicable Federal tax law. The sales price limitations imposed by the Authority will either comply with those published by the Internal Revenue Service or be based on more accurate and comprehensive data as provided by applicable Federal tax law. The Authority will verify compliance with this requirement by comparing the acquisition cost as shown on the affidavits of the buyer and seller with the sales price limitations.

Requirement as to Assumptions. The Code provides that a mortgage loan may be assumed only if the assuming mortgagor complies with the residence requirement, first-time home-buyer requirement, income requirement, and purchase price limitations. The mortgage loan documents reflect these restrictions.

Other Requirements Imposed by the Code

General. Failure to comply with the applicable provisions of the Code may result in interest on the applicable issue of bonds being included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that gross income for Federal income tax purposes does not include interest on a private activity bond if it is a qualified mortgage bond. A qualified mortgage bond is a part of an issue of a state or political subdivision all the proceeds of which (net of amounts applied to any costs of issuance thereof and to fund a reasonably required reserve), unless it is otherwise exempted, are used to finance owner-occupied residences and that meet certain (i) general requirements, (ii) arbitrage restrictions on the use and investment of proceeds of the issue, and (iii) loan eligibility requirements set forth in the Code as more fully described above under “Loan Eligibility Requirements Imposed by the Code.”

The first general requirement of the Code is that the aggregate amount of private activity bonds that may be issued by the Authority in any calendar year must not exceed the portion of the private activity bond volume limit for the State for such calendar year allocated to the Authority and the portion of prior years' private activity bond volume limits for the State allocated to the Authority for which the Authority has filed a carryforward election. The Bonds are within the applicable limits. The second general requirement of the Code is that a portion of the lendable proceeds of the non-refunding portion of an issue together with any portion of such issue used to refund bonds issued prior to 1981 (in an amount equal to the lesser of (i) 20% of such lendable proceeds and (ii) 40% of the average annual aggregate principal amount of mortgage loans on owner-occupied residences executed in targeted areas (as defined by the Code and approved by the Authority) for the immediately preceding three years) must be made available (and applied with reasonable diligence) for owner-financing of residences in targeted areas for at least one year after the date on which such funds are first available for such owner-financing (the “targeted area requirement”). The Authority has covenanted to comply with such requirements to the extent required by the Code.

The Code also requires the issuer of qualified mortgage bonds to file with the Internal Revenue Service reports on the issuance of its qualified mortgage bonds following such issuance, as well as an annual qualified mortgage loan information report. The Authority has covenanted to file, as required, such reports with respect to the Bonds.

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds may not exceed the yield on the issue by more than 1.125%, and that certain investment earnings on

non-mortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the issue, be rebated to the United States. The Authority has covenanted to comply with these requirements and has established procedures to determine the amount of excess earnings, if any, that must be rebated to the United States. The Authority will pay any such rebate amount as operating costs from funds set aside in rebate funds established in connection with the Bonds and/or from available moneys under the General Resolution.

For certain mortgage loans made after December 31, 1990 from the proceeds of tax-exempt bonds issued after August 15, 1986, and for assumptions of such mortgage loans, the Code requires a payment to the United States from certain mortgagors upon sale or other disposition of their homes (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be the subsidy provided by a qualified mortgage bond financing to a mortgagor be paid to the United States on disposition of the house (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount would (i) increase over the period of ownership, with full recapture occurring if the house were sold between four and five full years after the closing of the mortgage loan, and (ii) decline ratably to zero with respect to sales occurring between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part or all of the subsidy in the case of certain assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires an issuer to inform mortgagors of certain information with respect to the Recapture Provision. The Authority has established procedures to enable it to meet such recapture information requirement.

The Code states that an issuer will be treated as meeting the targeted area requirement, the arbitrage restrictions on mortgage loans, and the recapture information requirements if it in good faith attempted to meet all such requirements and any failure to meet such requirements was due to inadvertent error after taking all reasonable steps to comply with such requirements.

Required Redemptions. The Code currently requires redemption of certain qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been used within 42 months from the date of issuance (or the date of issuance of the original bonds in the case of refundings of unexpended proceeds), except for a \$250,000 de minimis amount. Additionally, for bonds issued after 1988, the Code permits repayments (including prepayments) of principal of mortgage loans financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refundings), after which date such amounts must be used to redeem bonds, except for a \$250,000 de minimis amount.

To the extent required to comply with the requirements of the Code described in the preceding paragraph, the Authority may be required to redeem the Bonds from (i) unexpended proceeds of the Bonds required to be used to make Mortgage Loans which have not been so used within 42 months from the date of issuance of the Bonds or obligations to be refunded by the Bonds (i.e., as early as July 1, 2010), and (ii) Mortgage Prepayments from Mortgage Loans made or purchased or deemed to have been made or purchased with proceeds of the Bonds, which amounts are received after ten years from the date of issuance of obligations to be refunded by the Bonds (i.e., beginning on the date of issue of the Bonds). See "THE BONDS-Redemption" above. This information as to possible redemption dates for the Bonds is based on the currently expected use of proceeds of the Bonds and current tax law. The Authority cannot predict the actual repayments and prepayments it will receive or whether the applicable Code provisions may be repealed or modified, and no assurance can be given whether such redemptions will in fact occur.

Compliance. The Authority has included provisions in the Mortgage Origination Agreement and the Program Guide, the mortgage loan servicing agreements, the mortgage purchase agreements, and certain related documents, including Borrower and Seller Affidavits (the "Program Documents"), and has established procedures for Mortgage Lenders' warranties respecting the loan eligibility requirements, in order to assure compliance with the loan eligibility requirements and other requirements that must be met subsequent to the date of issuance of the Bonds. The Authority has covenanted in the Series Resolution to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable Federal tax law and, for such purpose, to adopt and maintain appropriate procedures.

Opinion of Bond Counsel

In the opinion of Williams & Anderson PLC and Hawkins Delafield & Wood LLP, Co-Bond Counsel to the Authority, assuming compliance by the Authority with and enforcement by the Authority of the General Resolutions, the Series Resolution, the Arbitrage and Use of Proceeds Certificate, and the Program Documents, (a) under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to the Code, and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in adjusted current earnings of corporations for purposes of the alternative minimum tax, and (b) under existing statutes, interest on the Bonds is exempt from the State of Arkansas income tax imposed on individuals. Co-Bond Counsel to the Authority express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Co-Bond Counsel to the Authority render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinion after the issue date to reflect any future action, fact or circumstances, or change in law or interpretation, or otherwise. Co-Bond Counsel to the Authority express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the Bonds under existing statutes. It does not purport to address collateral aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the Bonds.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds or the purchase of Eligible Collateral with proceeds of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the existence or powers of the Authority with respect to the Bonds or the title of any officers of the Authority to their respective positions.

The Authority is a party to multiple matters of litigation arising from the Authority's various governmental activities. No such pending litigation directly impacts the Bonds or any of the Authority's single family housing programs, including the Program.

UNDERWRITING

The Underwriters named on the cover page of this Official Statement (the "Underwriters") have agreed, subject to certain conditions, to purchase the Bonds from the Authority at a price of par. The public offering prices of the Bonds may be changed from time to time by the Underwriters. The Underwriters will receive a total fee of \$264,546.42 for the underwriting of the Bonds.

FINANCIAL INFORMATION

Attached as Appendix D to this Official Statement is selected financial information including (a) summaries of the combined assets, liabilities, and fund balances and of the combined revenues and expenses of all of the Authority's single family mortgage purchase programs as of June 30, 2004-2008 and as of September 30, 2008, and (b) the balance sheet and revenues, expenses and changes in fund balances for the fiscal years ended June 30, 2004, 2005, 2006, 2007 and 2008 for the three-month period ended September 30, 2008 for the Program financed by Resolution Bonds. The Authority operates on a fiscal year ending June 30. Audited financial statements of the Authority for the fiscal year ended June 30, 2008 are available upon request to the Authority or any of the repositories listed in the Summary of Continuing Disclosure Agreement attached as Appendix C hereto. The Bonds are not general obligations of the Authority but are limited obligations as described herein. This information is provided for informational purposes only.

SECONDARY MARKET DISCLOSURE

In the Continuing Disclosure Agreement dated as of December 18, 2008, with respect to the Bonds (the "Continuing Disclosure Agreement"), between the Authority and the Trustee, the Authority has covenanted for the benefit of Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Authority by not later than 240 days after the end of the Authority's fiscal year, commencing with the fiscal year ended June 30, 2009 (the "Annual Disclosure Statement"), and to provide notices of the occurrence of certain enumerated events, if material. Certain provisions of the Continuing Disclosure Agreement are summarized in Appendix C attached hereto. The Annual Disclosure Statement will be filed by the Authority with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") (defined in Appendix C). The notices of material events will be filed by the Trustee on behalf of the Authority with the Municipal Securities Rulemaking Board and with each NRMSIR. The Authority may satisfy its obligations to file any notice, document or information with a NRMSIR or Municipal Securities Rule Making Board by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or

Municipal Securities Rule Making Board, to the extent permitted by the SEC or SEC staff or required by the SEC. The specific nature of the information to be contained in the Annual Disclosure Statement or the notices of material events is summarized in Appendix C hereto. These covenants have been made to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). To its knowledge, the Authority is not in default in any material respect under any of its continuing disclosure obligations with respect to bonds on which the Authority is an obligor.

RATING

S&P is expected to assign a long-term rating of “AAA” to the Bonds.

Such rating reflects only the view of the rating agency at the time such rating is given, and the Authority makes no representations as to the appropriateness of the rating. An explanation of the significance of such rating may be obtained only from S&P. Certain information and materials not included in this Official Statement were furnished to the rating agency. Generally, a rating agency bases its rating on such information and materials and on investigations, studies, and assumptions furnished to and obtained and made by such rating agency. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of said rating agency, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of Owners or Beneficial Owners of the Bonds any proposed revision or withdrawal of any rating on the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

In the Continuing Disclosure Agreement, the Authority has agreed to give notice of certain material events, which include the revision or withdrawal of any rating on the Bonds.

LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance, and sale by the Authority of the Bonds are subject to the unqualified approving opinions of Williams & Anderson PLC and Hawkins Delafield & Wood LLP, Co-Bond Counsel to the Authority. The form of the opinions proposed to be delivered by Co-Bond Counsel to the Authority in connection with the Bonds is attached hereto as Appendix B. Certain legal matters in connection with the issuance of the Bonds will be passed upon for the Underwriters by their counsel, Friday, Eldredge & Clark, LLP.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

ADDITIONAL INFORMATION

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

Copies in reasonable quantity of the General Resolution, the Series Resolution, and other additional information may be obtained from the Underwriters or from the Authority at the address shown herein.

The execution and delivery of this Official Statement by its President have been duly authorized by the Authority.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

By: /s/ Mac Dodson
President

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The Resolution contains various covenants and security provisions, some of which are summarized below. All bonds issued under the General Resolution are referred to as “Resolution Bonds” and are secured on a parity of security regardless of series. When particular provisions of the Resolution are referred to, such provisions are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. For a description of certain proposed amendments to the General Resolution which will become effective upon the consent of the requisite percentage of Holders of Outstanding Resolution Bonds, see the section captioned “PROPOSED AMENDMENTS TO GENERAL RESOLUTION” in this Official Statement and under the section captioned “Proposed Amendments to the General Resolution” in this Appendix A.

Definitions of Certain Terms

As used herein and in the Resolution (except for the use of the terms “Bonds” and “Resolution Bonds”), the following terms shall have the meanings set out below:

“Account” or “Accounts” means one or more of the special accounts created by or pursuant to the General Resolution or a Series Resolution.

“Aggregate Debt Service” means, for any period, the Debt Service Payments becoming due and payable on all Bond Payment Dates during such period for all Resolution Bonds Outstanding.

“Bank” means the Initial Bank for the period during which the Initial Liquidity Facility and Initial Liquidity Facility Agreement are in effect, and thereafter shall mean the Substitute Bank then obligated under the Substitute Liquidity Facility and Substitute Liquidity Agreement at the time in effect.

“Bond” or “Bonds” means the Authority's Single Family Mortgage Revenue Bonds, 2008 Series D (Mortgage-Backed Securities/Mortgage Loans Program).

“Bond Counsel” means Williams & Anderson PLC and Hawkins Delafield & Wood LLP, as co-bond counsel to the Authority, or any attorney or firm of attorneys of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of municipal bonds, appointed from time to time by the Authority.

“Bond Payment Date” means, with respect to each Series of Resolution Bonds, each date on which interest or both a Principal Installment and interest shall be payable on any of the Resolution Bonds according to their respective terms as long as any Resolution Bonds are Outstanding.

“Bond Year” means a twelve-month period ending on July 1 of any year in which Resolution Bonds are Outstanding, provided, however, that if any Resolution Bonds are issued bearing an issuance date of other than July 1, the first Bond Year shall commence on the date of issue.

“Business Day” means any day other than a Saturday or Sunday or other day on which the principal trust office of the Trustee or the banks in the City of New York, New York or London, England, in the case of payments made in connection with a Qualified Swap based on LIBOR, as defined in the Series Resolution, are authorized to be closed for regular business.

“Certificate of Projected Revenues” shall mean a certificate of the Authority showing, as of any particular date:

(a) for the then current and each future Bond Year, the amount of scheduled or estimated Revenues (assuming that no prepayments will be received with respect to any Eligible Collateral and assuming such other facts as were contained in the cash flow projections that were prepared in connection with the original rating on the Bonds), if any, to be received in each Bond Year and the Debt Service Payments and budgeted or estimated Program Expenses for each such Bond Year with respect to the Bonds to be Outstanding: (i) if made in connection with the issuance of Bonds, immediately after the delivery of the Bonds being issued, (ii) if made in connection with a transfer of amounts to the Redemption Fund for the purchase or redemption of Bonds on other than a pro rata basis, immediately after the purchase or redemption of Bonds with such amounts, (iii) if made in connection with the extension of the Delivery Period for the acquisition of Eligible Collateral and in all other cases, immediately after the issuance of the Eligible Collateral and (iv) if made in connection with the transfer of amounts to the General Fund or for the purchase of Eligible Collateral in accordance with Section 5.05(f) and 5.05(g) of the General Resolution, respectively, immediately after the transfer of such funds to the General Fund or for the purchase of Eligible Collateral;

(b) in each such Bond Year, the difference between (i) the Debt Service Payments and Program Expenses referred to in (a) above, and (ii) the Revenues referred to in (a) above; and

(c) stating (1) whether the Revenues referred to in (a) above and any other revenues, investment income or funds reasonably estimated by the Authority to be available for the payment of the Debt Service Payments and Program Expenses referred to in (a) above are in each such Bond Year at least equal to such Debt Service Payments and Program

Expenses for each such Bond Year and (2) in the event that such Certificate is delivered in connection with extension of the Delivery Period for the acquisition of Eligible Collateral, the ratio of the sum of the amounts on deposit in all Funds and Accounts (including all Eligible Collateral) to the aggregate principal amount of Bonds Outstanding is substantially similar to such ratio expected in each such Bond Year as of the Delivery Date.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the regulations of the United States Treasury Department promulgated thereunder.

“Debt Service Payment” means, when used with respect to any Bond Payment Date for a Series of Resolution Bonds, the sum of the (i) interest, if any, and (ii) Principal Installments, if any, due and payable on such Bond Payment Date with respect to such Series of Resolution Bonds.

“Defeasance Obligations” means Investment Obligations that (i) are of the types described in clause (1)(i) of the definition of “Investment Obligations” and (ii) are not subject to redemption at the option of the issuer thereof prior to their maturity.

“Delivery Period” means the period of time specified for delivery of Eligible Collateral in the Series Resolution adopted by the Authority, with respect to a Series of Resolution Bonds.

“Eligible Collateral” means the following collateral and any participations there: (1) Mortgage-Backed Securities; and (2) Mortgage Loans, the purchase of which will not cause the rating quality of the Outstanding Bonds, as described in the General Resolution, to be reduced or withdrawn.

“Eligible Mortgagor” means a person or persons or family or families (i) intending to occupy the Single-Family Residence as its or their principal residence within sixty (60) days after the closing date and intending to principally and permanently reside as a household in a Single-Family Residence, (ii) whose Annual Family Income does not exceed the Maximum Household Income Limit, and (iii) who is (except as to Mortgage Loans secured by a Targeted Area Home) a First-Time Home Buyer.

“Event of Default” means any of those events defined as Events of Default by the Resolution. See the caption “Events of Default” below.

“Fiduciary” means the Trustee, any authentication Agent, any depository, any administrator, or any or all of them, as may be appropriate.

“Fiduciary Expenses” means the fees and ordinary expenses of the Fiduciaries as specified in a Series Resolution.

“Fund” or “Funds” means one or more of the special trust funds created and established pursuant to the Resolution.

“General Resolution” or “General Bond Resolution” means the Single Family Mortgage Revenue Bond General Resolution (Mortgage-Backed Securities/Mortgage Loans Program) of the Authority, adopted on July 20, 1995, as the same may be amended or supplemented from time to time in accordance with the provisions the General Resolution.

“Government” means the United States of America and any agency or instrumentality thereof.

“Home” - see definition for “Single-Family Residence.”

“Initial Bank” means State Street Bank and Trust Company.

“Initial Liquidity Facility” means the Initial Liquidity Facility Agreement which defines the obligation of the Initial Bank to provide funds for the purpose of purchasing Resolution Bonds that have not been successfully remarketed.

“Initial Liquidity Facility Agreement” means the Standby Bond Purchase Agreement, dated as of November 1, 2006, as amended, by and among the Initial Bank, the Trustee and the Authority, as amended, supplemented, or extended from time to time.

“Investment Agreement” means any investment agreement conforming with the provisions of subparagraph (7) of the definition of Investment Obligations, among the Authority and/or the Trustee, and an institution pursuant to which moneys in Funds and/or Accounts created under the Resolution are invested.

“Investment Obligation” means, and includes any of the below listed investment obligations which must be limited to those instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, if and to the extent the same are at the time legal for investment of the Authority's moneys. If the investment obligation is rated, it should not have an “r” highlighter affixed to its rating. If an investment obligation has a variable rate, the interest should be tied to a single interest rate index plus a fixed spread, if any, and move proportionately with that index. Such investment obligations include the following:

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

(i) United States Treasury obligations which are direct or fully guaranteed obligations;

(ii) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: GNMA, United States Public Housing Program including United States government-guaranteed public housing notes and bonds;

(2) FHA debentures;

(3) Federal Home Loan Mortgage Corporation senior debt obligations which guarantee timely payment of principal and interest;

(4) Fannie Mae's senior debt obligations, excluding interest only stripped mortgage securities which are valued greater than par on the portion of the principal which is unpaid;

(5) Federal funds, certificates of deposit, time deposits, and bankers acceptances (having maturities of not more than 365 days) of any bank the debt obligations of which (or, in the case of the principal bank in a bank holding company, debt obligations of the bank holding company) have been rated by S&P at least A1+ for securities having a term of one year or less, AA- and A1+ for securities having a term of more than one year but not more than three years, or AAA for securities having a term of more than three years;

(6) Deposits which are fully insured by the Federal Deposit Insurance Corporation;

(7) Investment agreements with or guaranteed by financial institutions which are rated not lower than the following categories by S&P, or, if S&P no longer maintains a rating on the Resolution Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Resolution Bonds. Investment agreements with a term of any length shall be provided by institutions which have the highest short-term rating (currently A1+) by S&P. Investment agreements with a term of more than one (1) year and not more than three (3) years shall be provided by institutions which, along with the short-term rating requirement, have a long-term unsecured debt rating of "AA-" or better by S&P. Investment agreements with a term of more than three (3) years shall be provided by institutions which, along with the short-term rating requirement, have a long-term unsecured debt rating of "AAA" by S&P. If S&P no longer maintains a rating on the Resolution Bonds, a comparable rating by any other nationally recognized rating agency then maintaining a rating on the Resolution Bonds, or, if no rating is then maintained on the Resolution Bonds, a comparable rating by any nationally recognized bond rating agency selected by the Authority, shall be required for the investment agreements;

(8) Tax-Exempt Obligations; and

(9) Any other investment obligation permitted by a Series Resolution which does not adversely affect the rating on the Outstanding Resolution Bonds.

"Investment Revenues" means all interest or income derived from Investment Obligations credited to any Fund or Account pursuant to the applicable Resolution other than gains (in excess of Amortized Value) upon the sale or disposition of such Investment Obligations.

"Liquidity Facility" means an obligation of a Bank to provide funds for the purpose of purchasing Resolution Bonds which Liquidity Facility may be in the form of a line of credit, bond purchase agreement or letter of credit.

"Liquidity Facility Agreement" means, the Initial Liquidity Facility Agreement as such agreement may from time to time be amended or supplemented, and thereafter means the agreement pursuant to which the Substitute Bank agrees to issue any Substitute Liquidity Facility at the time in effect, as such agreement may from time to time be amended or supplemented.

"Liquidity Substitution Date" means the day on which a Substitute Liquidity Facility becomes effective.

"Maximum Purchase Price" means the maximum purchase price for a Single-Family Residence permitted by the Program and the Origination Agreement.

"Mortgage" means a written instrument securing a Mortgage Loan and encumbering a Home, which meets the requirements of the Origination Agreement.

"Mortgage-Backed Securities" means GNMA Securities and/or Fannie Mae Securities secured by pools of Mortgage Loans issued and acquired pursuant to the Program.

"Mortgage Lender" means a party executing an Origination Agreement, being a home mortgage lending institution or entity approved by the Authority (i) which has been doing business on a regular basis in the State and is currently participating in the local private home lending market from one or more offices in the State, (ii) which can make the

representations, warranties, and covenants set forth in an Origination Agreement, and (iii) which has agreed to originate and sell Mortgage Loans pursuant to an Origination Agreement and to release servicing to the Servicer pursuant thereto.

“Mortgage Loan” means a loan, secured by a Mortgage, for the purchase of an owner-occupied Single-Family Residence, evidenced by a Mortgage Note, made by a Mortgage Lender pursuant to and in accordance with the Act and the Program, which meets the requirements of the Resolution.

“Mortgage Note” means the written instrument executed to evidence the Mortgagor's obligation to repay the Mortgage Loan, which meets the requirements of the Origination Agreement.

“Mortgage Prepayments” means unscheduled recoveries of principal of Mortgages, including (1) partial prepayments, (2) prepayments in full, (3) partial and final claim settlements of mortgage insurance or guaranty benefits, and (4) adjustments to provide the Trustee, as holder of the Eligible Collateral, with any principal that remains unrecovered after assignment of Mortgages to FHA, VA, RD or a private mortgage insurance company, as applicable, after the withdrawal from a pool of a defective Mortgage or after any other liquidation or other disposition of Mortgages.

“Mortgage Repayments” means the scheduled payments of principal on an Eligible Collateral, including payments made by the Servicer for which it has not received payments on an underlying Mortgage Loan and including payments with respect to scheduled principal received from GNMA or Fannie Mae, as applicable, pursuant to its guaranty of the Eligible Collateral.

“Mortgage Revenues” means all Revenues applicable to one or more Series of Resolution Bonds other than (i) Investment Revenues and (ii) gains upon the sale or disposition of Investment Obligations credited to any Fund or Account pursuant to the Resolution.

“Origination Agreement” means any Mortgage Origination Agreement, entered into pursuant to any Series Resolution by and among the Authority, the Servicer and the Mortgage Lenders, by which the Mortgage Lenders agree to make Mortgage Loans and to sell and assign such Mortgage Loans, with servicing released, to the Servicer, including the Mortgage Origination Agreement and Program Guide, each dated as of June 1, 2001, as supplemented and amended, by and among the Authority, U.S. Bank N.A., operating by and through its U.S. Bank Home Mortgage-MRBP Division, and the Mortgage Lenders.

“Origination Period” means, with respect to a particular Series of Resolution Bonds, the period established in the Series Resolution during which the Servicer will acquire Mortgage Loans from Mortgage Lenders.

“Outstanding” means, when used with respect to a Series of Resolution Bonds, as of any date, all Resolution Bonds theretofore authenticated and delivered under the Resolution except:

- (a) any Resolution Bond of such Series canceled or delivered to the Trustee for cancellation on or before such date;
- (b) any Resolution Bond of such Series (or any portion of any Bond of such Series) (i) for the payment or redemption of which there shall be held in trust under the Resolution and set aside for such payment or redemption, moneys and/or Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date, which, together with income to be earned on such Defeasance Obligations prior to such maturity or redemption date will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Resolution Bond of such Series (or any portion of any Resolution Bond of such Series) to be redeemed prior to maturity, notice or redemption of which shall have been given in accordance with the Resolution or provided for in a manner satisfactory to the Trustee;
- (c) any Resolution Bond of such Series in lieu of or in exchange for which another Resolution Bond of such Series shall have been authenticated and delivered pursuant to the Resolution; and
- (d) any Resolution Bond of such Series deemed to have been paid as provided in the Resolution.

“Owner” or “Bondholder,” or “Holder” or “Holder of Resolution Bonds” or similar term, when used with respect to a Bond or Bonds, means the Person in whose name any Outstanding Resolution Bond is registered.

“Person” means an individual, partnership, corporation, trust or unincorporated organization or a government or any agency, instrumentality, program, account, fund, political subdivision or corporation thereof, including, without limitation, the Authority.

“Principal Installment” means, as of any date of calculation, (i) the principal amount of all Outstanding Resolution Bonds of a Series due and payable on a specified future date with respect to which no Sinking Fund Installments have been provided, plus (ii) any Sinking Fund Installments due and payable on such specified date.

“Program” means the Authority's program to finance the acquisition of Single-Family Residences by purchasing Eligible Collateral with proceeds of the Resolution Bonds.

“Program Expenses” means, for any Bond Year applicable to a Series of Resolution Bonds, the Fiduciary Expenses payable by the Authority with respect to such Bond Year, and the Authority Fee, if any.

“Program Guide” means the Authority's “Home to Own Program Guide” adopted by the Board of Directors of the Authority on May 17, 2001 as supplemented from time to time, which is incorporated by reference into the Origination Agreement.

“Qualified Regulated Investment Company” means a corporation that: (a) is a Regulated Investment Company within the meaning of Section 851(a) of the Code and meets the requirements of Section 852(a) of the Code for the calendar year; (b) has only one class of stock authorized and outstanding; (c) invests all of its assets in tax-exempt bonds to the extent practicable; and (d) has at least 98% of (i) its gross income derived from interest on, or gain from the sale of or other disposition of, tax-exempt bonds or (ii) the weighted average value of its assets represented by investments in tax-exempt bonds.

“Qualified Swap” means a particular transaction under an ISDA Master Agreement which, unless waived by the Authority, (a) is identified in the confirmation documenting such transaction as a Qualified Swap under the Resolution, (b) is identified in the confirmation documenting such transaction as relating to a particular Series of Resolution Bonds (or to a portion of a particular Series of Resolution Bonds) issued under the Resolution which have not already been identified as relating to a prior Qualified Swap, unless such prior Qualified Swap has been terminated (the “Swapped Bonds”), (c) has a notional amount no larger than the outstanding principal amount of the Swapped Bonds, and (d) provides that the sole source for payment of the Qualified Swap is the Resolution, provided that (i) the Qualified Swap Provider's regularly scheduled payments are based on the application of a rate (which was assumed by the Authority to be commercially reasonable at the time the Swapped Bonds were issued) to the notional amount of the Qualified Swap, and (ii) the Authority's regularly scheduled payments are based on the application of a rate (which is different from the rate used for the Qualified Swap Provider, but also assumed by the Authority to be commercially reasonable at the time the Qualified Swap is executed) applied to the notional amount of the Qualified Swap.

“Qualified Swap Provider” means the counterparty to the Authority under a Qualified Swap; provided that upon the date of execution of the Qualified Swap such counterparty must be rated at least “AA” by S&P.

“Rating Agency” means any nationally recognized bond rating agency that has assigned outstanding ratings to the Resolution Bonds at the request of the Authority.

“Rating Confirmation” means, with respect to any action or financial condition described herein, written confirmation from each of the Rating Agencies that the taking of such action or the existence of such financial condition shall not cause the outstanding ratings by such Rating Agency of all Bonds to be withdrawn, downgraded or suspended.

“Record Date” means the 15th day of the month immediately preceding each Bond Payment Date, or any special record date.

“Redemption Price” means, when used with respect to a Resolution Bond or portion thereof to be redeemed, the principal amount of such Resolution Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution.

“Resolution” means the General Resolution and, with respect to the Bonds, the Series Resolution, collectively.

“Resolution Bonds” means all bonds issued by the Authority, including the Bonds, under the provisions of the Resolution.

“Revenues” means, with respect to a Series of Resolution Bonds, (i) all payments of principal of and interest on Eligible Collateral required to be deposited in the Revenue Fund (including any payments received from GNMA or Fannie Mae pursuant to the guaranty of a GNMA Security or a Fannie Mae Security) and all other net proceeds therefrom, including proceeds from the sale thereof, (ii) all income received by the Trustee in connection with the Servicing Agreement or by the Trustee or the Authority from or in connection with the Origination Agreement, and (iii) any and all interest, profits or other income derived from the investment of amounts in any fund or account (except the Rebate Account) established pursuant to the General Resolution and any Series Resolution.

“Series Resolution” means, with respect to the Bonds described herein, the Authority's 2008 Series D Resolution Authorizing the Issuance and Sale of \$30,000,000 Single Family Mortgage Revenue Bonds, 2008 Series D (Mortgage-Backed Securities/Mortgage Loans Program), adopted by the Authority on November 20, 2008; and, generally, any Series Resolution or Resolutions adopted and becoming effective under the General Resolution.

“Servicer” means such entities as shall be designated by the Authority by resolution for each Series of Resolution Bonds.

“Servicing Agreement” means any Program Administration and Servicing Agreement to be entered into by and among the Authority, the Trustee and the Servicer, including the Program Administration and Servicing Agreement dated as of June 1, 2001, as supplemented and amended, between the Authority and U.S. Bank N.A., operating by and through its U.S. Bank Home Mortgage-MRBP Division, as Servicer.

"SIFMA Prepayment Model" means the standard or model developed by the Securities Industry and Financial Markets Association (formerly the entity resulting from the combination of the Securities Industry Association and The Bond Markets Association) to measure prepayment speeds on mortgage loans.

"Single-Family Residence" or "Home" means a single-family private detached or attached owner-occupied house, rowhouse, townhouse or condominium containing complete living facilities and facilities functionally related and subordinate thereto which is located within the State, including a condominium unit if such unit is a qualified condominium unit, and land appurtenant thereto (i) which is designed and intended primarily for residential housing (not more than fifteen percent (15%) of the total area of which is used in a trade or business) for one family, (ii) which is determined by qualified appraisal to have an expected useful life of not less than the term of the Mortgage Loan, (iii) which will be occupied by the owner as his or her principal residence within a reasonable time after which financing is provided but not more than sixty (60) days, (iv) which is permanently affixed to the land, (v) the purchase price of which does not exceed the Maximum Purchase Price, and (vi) which appurtenant land does not exceed five acres and reasonably maintains the basic livability of the residence and does not provide, other than incidentally, a source of income to the Mortgagor, including child care services on a regular basis of compensation. A Single-Family Residence does not include mobile homes or rental houses or vacation homes, or factory-made housing where such factory-made housing is not permanently affixed to real property. A Single-Family Residence includes a duplex, provided the Mortgagor resides in one unit of the duplex.

"Substitute Bank" means one or more commercial banks, trust companies or financial institutions obligated under any Substitute Liquidity Agreement acceptable to the Authority.

"Substitute Liquidity Agreement" means any agreement (other than the Initial Liquidity Facility Agreement) between the Authority and any Substitute Bank (which agreement shall be satisfactory in form and substance to the Authority) as it may from time to time be amended or supplemented, pursuant to which a Substitute Liquidity Facility shall be in effect.

"Substitute Liquidity Facility" means a Liquidity Facility acceptable to the Authority provided by a Substitute Bank other than the Bank providing the Liquidity Facility on or prior to the Liquidity Substitution Date; however, none of the following shall be deemed a Substitute Liquidity Facility: (i) a change in the Liquidity Facility Agreement pursuant to which the Liquidity Facility is issued; (ii) a change in the number of days of interest or interest rate covered by the Liquidity Facility; and (iii) a renewal of the term of the existing Liquidity Facility if, in the case of such renewal, there is delivered to the Authority, the Trustee, the Remarketing Agent an opinion of counsel for the Bank or the Substitute Bank regarding the enforceability of such Liquidity Facility in substantially the form delivered to the Trustee upon execution and delivery of the Initial Liquidity Facility Agreement.

"Supplemental Resolution" means any resolution adopted by the Authority in accordance with the General Resolution amending or supplementing the General Resolution, any related Series Resolution or any related Supplemental Resolution.

"Swap Agreement" means an interest rate swap agreement provided by a Qualified Swap Provider.

"Tax-Exempt Obligation" means (a) obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the highest long-term or short-term rating category by S&P, and are not private activity bonds under the Code; (b) United States Treasury--State and Local Government Series, demand deposit securities; and (c) stock in a Qualified Regulated Investment Company that is rated in the highest long-term or short-term rating category by S&P. If a bond rating agency other than S&P is maintaining a rating on the Resolution Bonds, ratings comparable to those described above shall be required for such obligations.

Principles of Construction

Words importing the redemption of a Resolution Bond or the calling of a Resolution Bond for redemption do not include or connote the payment of such Resolution Bond at its stated maturity or the purchase of such Resolution Bond.

Any Fiduciary shall be deemed to have received delivery of and to hold an Investment Obligation issuable in book entry form in which moneys are invested pursuant to the provisions of the Resolution, even though such Investment Obligation is evidenced only by a book entry or similar record or investment.

References in each Resolution to particular section of the Code, the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignations for codification purposes.

The terms "receipt," "recovery," "recovered," and any similar terms, when used in a Resolution with respect to moneys or payments due the Authority or the Trustee, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Authority or the Trustee on its behalf.

Resolution Constitutes Contract

The provisions of the Resolution constitute a contract among the Authority, the Trustee and the Owners of the related Series of Resolution Bonds outstanding, and the pledge of certain Funds, Accounts, Revenues and other moneys, rights

and interests made in the Resolution and the covenants and agreements to be performed by or on behalf of the Authority are for the equal and ratable benefit, protection and security of the Owners of any and all of the Resolution Bonds of such Series. The Resolution Bonds of a Series shall be special limited obligations of the Authority payable from the moneys, rights and interests pledged therefor in the Resolution.

Funds and Accounts Established by the Resolution

The Resolution establishes the following Funds and Accounts to be held by the Trustee in trust for application in accordance with the Resolution:

- (a) the Program Fund, consisting of:
 - (i) the Acquisition Account;
 - (ii) the Costs of Issuance Account; and
 - (iii) the Bond Proceeds Account.
- (b) the Revenue Fund, consisting of:
 - (i) the Revenue Account;
 - (ii) the Rebate Account;
 - (iii) the Capitalized Interest Account; and
 - (iv) the Prepayment Account.
- (c) the Redemption Fund, consisting of:
 - (i) the Special Redemption Account; and
 - (ii) the Optional Redemption Account.

Within each Account, there may also be established separate subaccounts with respect to one or more Series of Resolution Bonds.

Program Fund; Bond Proceeds Account; Acquisition Account

Bond Proceeds Account. On the date the Bonds are issued, the Trustee will transfer to the various Funds and Accounts from the applicable subaccount within the Bond Proceeds Account the respective amounts set forth in the Series Resolution, which will represent proceeds of the Bonds.

Acquisition Account. On the date the Bonds are issued, there will be deposited into the applicable subaccounts within the Acquisition Account such amounts as directed by the Authority, which amounts will be applied to purchase Eligible Collateral (or participation interests therein) from the Servicer or Fannie Mae, as applicable, on and after December 18, 2008.

The Trustee shall disburse moneys from the respective subaccounts within the Acquisition Account from time to time for the purchase of Eligible Collateral (or participation interest therein) from the Servicer or Fannie Mae, as applicable, pursuant to the Servicing Agreement and shall pay the Servicer therefor an amount equal to the purchase price of such Eligible Collateral (or participation interest therein). The purchase price of a Mortgage-Backed Security (or participation interests therein) with respect to the Program will be 99.5% of the principal amount thereof, plus accrued interest thereon. Accrued and unpaid interest on such Mortgage-Backed Security will be paid from the Revenue Account or the applicable subaccount within the Capitalized Interest Account pursuant to the Resolution.

If, at the end of the last Delivery Period with respect to the Bonds, less than \$1,000,000 of the aggregate amount initially deposited in the Acquisition Account from the proceeds, or the equivalent thereof, of such Series of Bonds has been used to purchase Eligible Collateral, such Eligible Collateral may be sold and the proceeds thereof shall be considered unexpended proceeds of the Bonds transferred to the applicable subaccount within the Special Redemption Account for the redemption of all Outstanding Bonds from unexpended proceeds of the Bonds if it has been determined that the sum of amounts of money and the market value of Investment Obligations held in the Revenue Account, the Acquisition Account, the Capitalized Interest Account and the Special Redemption Account, and therein the subaccount applicable to such Series of Bonds, together with the market value of all Eligible Collateral applicable to such Series of Bonds equals or exceeds the principal amount of all outstanding Bonds, plus accrued interest to the date of redemption, plus Program Expenses.

The Delivery Period for the Bonds may be extended from time to time to a date certain but not later than October 1, 2009, upon receipt by the Trustee, no later than 15 days prior to the currently established end of the applicable existing Origination Period, of a certificate of the Authority accompanied by the following:

- (a) An opinion of Bond Counsel to the Authority addressed to the Authority and the Trustee to the effect that such an extension and the continued use of moneys in the Acquisition Account to acquire Eligible Collateral will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds;

(b) A Certificate of Projected Revenues provided by an investment banking firm, financial consulting firm, or Bond Counsel to the Authority, selected by the Authority, showing that extending the applicable Origination Period and the applicable Delivery Period will not adversely affect the availability of Revenues sufficient to make timely payment of principal of and interest on the Bonds, the Authority Fee, and the Fiduciary Fees; and

(c) Written confirmation from S&P, or any other nationally recognized rating agency publishing a rating on the Bonds if S&P shall cease to publish a rating on such Bonds, that the extension of the Origination Period and the Delivery Period will not adversely affect the current rating on such Bonds.

Revenue Fund

All Revenues received by the Authority with respect to the Resolution Bonds shall be paid to the Trustee immediately upon their receipt. In addition, all payments received by the Authority from the Qualified Swap Provider under the Swap Agreement with respect to the Resolution Bonds shall also be deposited into the Revenue Account except as hereinafter described under *Swaps and Hedges*. Except as otherwise provided in the Resolution, all Revenues other than those required to be deposited in the Rebate Account as set forth in an Authority Request or the Prepayment Account shall be deposited by the Trustee in the Revenue Account. All Mortgage Prepayments shall be deposited by the Trustee into the applicable subaccounts of the Prepayment Account.

There may also be deposited in any Revenue Account subaccount, at the option of the Authority, any other moneys of the Authority, unless required to be otherwise applied by the Resolution.

Upon the purchase of a Mortgage-Backed Security (or participation interest therein) from moneys on deposit in the respective subaccounts within the Acquisition Account, the Trustee shall, in accordance with the provisions of the Series Resolution, withdraw from the Capitalized Interest Account or if there is not enough money in such account, from the Revenue Account, all amounts necessary to pay to the Servicer the then accrued and unpaid interest on such Mortgage-Backed Security.

On each Bond Payment Date or Bond purchase date, the Trustee shall pay to or transfer from the Revenue Account the following amounts in the following order of priority:

First, to the Paying Agent for the Resolution Bonds, (a) on each Bond Payment Date, the amounts required for Debt Service Payments due on the Outstanding Resolution Bonds on such Bond Payment Date (less amounts applied to pay interest from the Capitalized Interest Account under the applicable Series Resolution) and on the date set forth in the Swap Agreement the amounts representing regularly scheduled payments due pursuant to a Qualified Swap to a Qualified Swap Provider, (b) on the date of purchase of any Resolution Bonds, the amounts required for the payment of accrued interest on the Outstanding Resolution Bonds being purchased, and (c) on the date of purchase of any Resolution Bonds in lieu of redemption, the amount (exclusive of accrued interest) required for the purchase of such Resolution Bonds, and all such amounts shall be applied by the Paying Agent to such payments;

Second, to the credit of the Rebate Account, such amounts as are designated by the Authority pursuant to an Authority Request;

Third, to the credit of any other Fund or Account, the amount of any withdrawal previously made pursuant to the Resolution to the extent not previously restored;

Fourth, to each Fiduciary, such Fiduciary Expenses as are then due;

Fifth, from the balance, if any, to the Authority the amount specified in the Series Resolution (provided that the Authority agrees to subordinate payment of its Authority Fees to payments due to State Street Bank and Trust Company, as the Initial Bank, in accordance with "Sixth" below); and

Sixth, to any other payee as specified in the Series Resolution, including, to a Qualified Swap Provider, payments, including termination fees and any other fees and expenses, due under a Swap Agreement, paid on the date set forth in the Swap Agreement, and, to the Authority, payments due under *Swaps and Hedges* below, and to a Bank, payments, including termination fees and other fees and expenses, due under the Liquidity Facility Agreement, paid on the date set forth in the Liquidity Facility Agreement.

Any amounts in excess of \$25,000 remaining in the Revenue Account after making provision for the payments and deposits required during the next succeeding twelve months (a) to be made as described above, (b) to be made into the Rebate Account established by the Resolution and (c) to be paid as accrued interest for Mortgage-Backed Securities, shall be deposited in the applicable Special Redemption Account and used to redeem Resolution Bonds, provided, that such amounts shall be transferred, upon direction of an Authorized Officer of the Authority, to (i) the General Fund, for any lawful purpose of the Authority, free and clear of the pledge and lien of this General Resolution or (ii) for the purchase of Eligible Collateral; provided, however, that no such transfer to the General Fund or for the purchase of Eligible Collateral shall be made unless (x) the Authority shall deliver a Certificate of Projected Revenues reflecting, after such transfer and in each succeeding Bond Year thereafter, that the amount of Revenues and any other revenues, investment income or funds reasonably estimated by the Authority to be available for the payment of the Debt Service Payments and Program Expenses are in each such Bond Year at least equal to such Debt Service Payments and Program Expenses for

each such Bond Year immediately following the transfer of such surplus Revenues to the General Fund or for purchase of Eligible Collateral, and (y) the Trustee shall have received a Rating Confirmation.

Transfers and Withdrawals from Prepayment Accounts

Amounts constituting Mortgage Prepayments shall be deposited as received in the applicable Prepayment Account. If at any time amounts held in a Prepayment Account exceed amounts which shall be specified in the applicable Series Resolution, the amounts in the Prepayment Account may be (i) transferred to the applicable Special Redemption Account and used to redeem that Series of Bonds or (ii) at the direction of the Authority, applied to the purchase of Eligible Collateral; provided, however, with respect to this clause (ii), that the Authority shall deliver (a) a Certificate of Projected Revenues reflecting, after such purchase of Eligible Collateral and in each succeeding Bond Year thereafter, that the amount of Revenues and any other revenues, investment income or funds reasonably estimated by the Authority to be available for the payment of the Debt Service Payments and Program Expenses are in each such Bond Year at least equal to such Debt Service Payments and Program Expenses for each such Bond Year immediately following the application of such Mortgage Prepayments for purchase of Eligible Collateral, and (b) the Trustee shall have received a Rating Confirmation. The Authority shall not be required to redeem any Resolution Bonds from Mortgage Prepayments and excess revenues if such redemption would have a material adverse effect on its ability to pay when due the principal of and interest on the Resolution Bonds Outstanding after such redemption.

Capitalized Interest Account

Moneys in the Capitalized Interest Account shall be used to pay interest on the Bonds until the end of the Delivery Period and to purchase accrued interest on Mortgage-Backed Securities (or participation interests therein) purchased by the Trustee. Any amounts remaining in the Capitalized Interest Account on the Bond Payment Date next following the end of the Delivery Period shall first, subject to certain conditions specified in the Series Resolution, be applied to reimburse the Authority for moneys contributed by it to the Capitalized Interest Account, and the balance remaining, if any, shall be transferred to the Revenue Account.

Transfers to and Payments from Rebate Account

The Trustee shall make only the following transfers to and withdrawals from the Rebate Account:

(1) Upon receipt of an Authority Request setting forth an amount to be deposited into the Rebate Account (as determined pursuant to the provisions of the Rebate Certificate of the Authority), the Trustee shall transfer such amount from the Revenue Account to the Rebate Account; and

(2) Upon receipt of an Authority Request the Trustee shall remit part or all of the balances in the Rebate Account to the United States, as so directed, and in compliance with the timetable set forth in Section 148(f)(3) of the Code and the Rebate Certificate. In addition, if the Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Account from or into such accounts or funds and in such amounts as may be directed in an Authority Request. Any funds remaining in the Rebate Account after redemption and payment of all of the Resolution Bonds and payment and satisfaction of any Rebate Amount, or after provisions has been made therefor in a manner that is satisfactory to the Trustee, shall be withdrawn and remitted to the Authority.

Withdrawals from Funds to Prevent Default

If, on any Bond Payment Date, the amount in the Revenue Fund (other than the Rebate Account) is less than the amount of the Debt Service Payment becoming due and payable on such Bond Payment Date on all Outstanding Bonds, the Trustee shall transfer from the following Funds and Accounts to the Revenue Fund in the following order the amount of such deficit and apply such amount first to pay interest and then to pay Principal Installments, as necessary: (a) Bond Proceeds Account, (b) Capitalized Interest Account, (c) Cost of Issuance Account, (d) Optional Redemption Account, (e) Special Redemption Account, and (f) Acquisition Account.

The provisions of the previous paragraph are, however, subject to the limitation that moneys in the respective subaccounts within the Redemption Fund which are to be used to redeem such Resolution Bonds for which notice of redemption has been given or for which binding arrangements to purchase such Resolution Bonds in lieu of redemption have been made by the Trustee shall not be so transferred to the Revenue Fund.

Investment of Moneys Held by the Trustee

Moneys in the Funds and Accounts held by the Trustee under the Resolution shall be invested to the fullest extent possible in Investment Obligations that are sufficient to support a rating on the Resolution Bonds in the highest long-term rating category by S&P or, if S&P is not, at the time of investment, maintaining a rating on the Resolution Bonds, such other nationally recognized bond rating agency as is then maintaining a rating on the Resolution Bonds. The maturity date or the date on which such Investment Obligations may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes set forth in the Resolution.

Except as otherwise specifically provided in the Resolution, the income or interest earned by, or increment to, the Funds and Accounts due to the investment thereof shall be transferred by the Trustee upon receipt thereof to the appropriate Account of the Revenue Fund (excluding the Rebate Account).

Swaps and Hedges

(a) The Authority may implement a Qualified Swap with a Qualified Swap Provider and enter into a Swap Agreement and other hedges, including interest rate swap agreements, caps, floors and other derivative products, to mitigate interest rate risks under the Resolution. The Authority shall promptly notify Standard & Poor's of all such Qualified Swaps implemented. Implementation of such Qualified Swaps includes (i) entering into Swap Agreements or other contracts which may be used to mitigate interest rate risk, (ii) making payments under such contracts, (iii) receiving payments under such contracts and (iv) giving or receiving any notices or statements required to be given under such contracts.

(b) To the extent funds are not available in the Revenue Account with respect to payments on the Resolution Bonds, the Authority may, but shall not be obligated to, advance the net costs from its own assets for any Qualified Swaps and the costs of such Qualified Swaps implemented by the Authority pursuant to paragraph (a) above shall not be deemed a Program Expense, if such costs are paid by the Authority. The Authority shall transfer and assign, or cause to be transferred and assigned, to the Trustee, for the benefit of the Bondowners, all net payments received by the Authority under the Qualified Swaps. To the extent net payments are received from the Qualified Swaps and pledged under the Resolution, such payments may be withdrawn by the Authority to the extent of funds advanced by the Authority if (i) no Event of Default hereunder shall have occurred and be continuing and (ii) such funds are withdrawn only after all other payments from the Revenue Account have been paid, including any regularly scheduled payments owed to a Qualified Swap Provider under a Swap Agreement.

(c) Discharge of the General Resolution shall not occur unless and until the Qualified Swap Provider is paid all obligations owed under the related Swap Agreement.

Program Covenants; Enforcement of Mortgage Loans

The Authority agrees that the Trustee in its name or (to the extent required by law) in the name of the Authority may enforce all rights of the Authority and all obligations of any Mortgage Lenders under and pursuant to the Origination Agreement or of the Servicer under and pursuant to the Servicing Agreement for and on behalf of the Owners whether or not an Event of Default under the Resolution has occurred or is continuing.

The Authority and the Trustee from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of the Resolution, shall use and apply the proceeds of the Bonds and other moneys deposited in the Acquisition Account, to purchase Eligible Collateral, and consistent with sound banking practices and principles shall do all such acts and things necessary to receive and collect Revenues.

Events of Default

Each of the following constitutes an Event of Default under the Resolution:

(1) Failure of the Authority to pay any Debt Service Payment or the Redemption Price of any of the Resolution Bonds when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) Failure of the Authority to perform or observe any other covenant, agreement or condition on its part contained in the General Resolution or any Series Resolution and such failure shall continue for a period of 45 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 25% in aggregate principal amount of the Resolution Bonds Outstanding;

(3) Filing by the Authority of a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable federal or State law.

Remedies

Upon the occurrence of an Event of Default described in clauses (1) or (3) above, the Trustee may, and upon the written request of Owners of not less than 25% in aggregate principal amount of the Resolution Bonds then Outstanding must, give 30 days' written notice to the Authority of its intention to declare the Resolution Bonds then Outstanding immediately due and payable. At the end of such 30-day period, if such Event of Default is then continuing, the Trustee may, and upon written request of the Owners of not less than 25% in aggregate principal amount of the Resolution Bonds then Outstanding must, by notice in writing to the Authority, declare the Resolution Bonds then Outstanding immediately due and payable, and the Resolution Bonds will then become and be immediately payable. Upon the occurrence of or Event of Default described in clause (2) above, the Trustee shall not declare the Resolution Bonds then Outstanding due and payable unless it shall have received the consent thereto of the Owners of not less than 100% in aggregate principal amount of the Resolution Bonds then Outstanding, or there are moneys on deposit in the Funds and Accounts (excluding the Rebate Account) held under the Resolution, including the proceeds from the sale of the Eligible Collateral, sufficient to pay all of the principal of and interest on the Resolution Bonds secured on a parity then Outstanding and the fees of

the Trustee. Prior to entry of final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion or the enforcement of any other remedy under the Resolution, such declaration shall be annulled by the Trustee if, among other things, moneys have been deposited (other than in the Rebate Account) sufficient to pay all mature installments of principal or Redemption Price (other than principal then due only because of such declaration) of and interest on all Outstanding Resolution Bonds.

Upon the occurrence and continuance of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in the aggregate principal amount of all Resolution Bonds then Outstanding, together with indemnifications satisfactory to the Trustee, must, proceed to protect and enforce its rights and the rights of the Owners under the Act, the Resolution Bonds and the Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, may deem expedient.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than 25% in aggregate principal amount of the Resolution Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, or (ii) to preserve or protect the interests of such Owners, provided that such request is in accordance with law and the provisions of the Resolution, and in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Owners of Resolution Bonds not making such request.

No remedy conferred upon or reserved to the Trustee by the terms of the Resolution is intended to be exclusive of any other available remedy, but each and every available remedy is cumulative and in addition to any other remedy available under the Resolution or existing at law or in equity or by statute.

Modifications of Resolution and Outstanding Bonds of a Series

The Resolution provides procedures whereby the Authority may amend the Resolution by adoption of a Supplemental Resolution. Amendments that may be made without consent of the Owners of each affected Series of Resolution Bonds or the Trustee must be for only the following purposes: (i) adding to the covenants and agreements, or limitations and restrictions, to be observed by the Authority in the Resolution; (ii) further securing such Resolution Bonds; (iii) modifying any of the provisions of the Resolution in any respect whatever, provided that the modification, in the sole judgment of the Authority, is reasonably necessary to assure that the interest on any of the Bonds remains excludable from gross income for federal income tax purposes under Section 103 and related sections of the Code, to the extent applicable; (iv) specifying or authorizing by a Series Resolution all matters relative to a Series of Resolution Bonds, which are not contrary to or inconsistent with the General Resolution; or (v) adding or modifying provisions which may be necessary because of changes in Sections 143(g) or 148 of the Code and the rebate regulations now or hereafter promulgated pursuant to the Code.

With the consent of the Trustee, a Supplemental Resolution may be adopted by the Authority without the consent of the owners of the Resolution Bonds for only the following purposes: (i) to cure any ambiguities, defects or inconsistent provisions in, or to clarify any provisions in, the Resolution; (ii) to provide for additional duties of the Trustee; (iii) to waive any right reserved to the Authority provided that the loss of such right does not adversely impair the Revenues (other than amounts required to be deposited in the Rebate Account) available to pay the Outstanding Resolution Bonds then Outstanding; or (iv) to make any other change which in the judgment of the Trustee does not materially affect the Owners of the Resolution Bonds then Outstanding.

Amendments or modifications of the respective rights and obligations of the Authority and the Owners of the Resolution Bonds may be made with the written consent of the Owners of not less than 66-2/3% in principal amount of the Resolution Bonds Outstanding at the time such consent is given. No such modification or amendment shall (i) permit a change in the terms of redemption or maturity of the principal of any Outstanding Resolution Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or in the rate of interest thereon, or the sale of the Eligible Collateral at less than the par value thereof (except if such sale is in connection with the redemption of the Resolution Bonds of all Series then Outstanding), without the consent of the Owners of the Resolution Bonds; or (ii) reduce the percentages or otherwise affect the classes of Resolution Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Defeasance

Any Outstanding Resolution Bonds and all interest installments will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Resolution if, among other things, there has been deposited with the Trustee either moneys in an amount which are sufficient or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, are sufficient, to pay when due the principal or Redemption Price of and interest due and to become due on said Resolution Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

Tax Covenants

The Authority shall not use or direct or permit the use of any proceeds of the Bonds or any other moneys held under any Resolution in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of the Code. The Authority covenants (a) to take all steps and actions necessary to assure the successful operation of the Program in a manner consistent with the preservation of the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds under the Code; (b) to take all steps and actions necessary to preserve the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds under the Code; and (c) to refrain from taking any steps or actions that would impair or call into question the exclusion from gross income for federal income tax purposes of the interest payable on any Bond under the Code to the extent applicable.

Proposed Amendments to the General Resolution

The Authority has authorized the 2006 Supplemental Resolution to amend certain provisions of the General Resolution which will become effective only upon the consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) of the Resolution Bonds Outstanding. Such consent will be deemed received from the Holders of Resolution Bonds (including the Bonds) issued on and after July 25, 2006. As further described herein under "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," the Resolution currently defines Mortgage-Backed Securities as GNMA Securities and Fannie Mae Securities. The proposed amendments made by the 2006 Supplemental Resolution would expand the definition of Mortgage-Backed Securities to include GNMA Securities and Fannie Mae Securities plus FHLMC Securities and/or securities of any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase or guarantee timely payment of mortgage loans secured by pools of Mortgage Loans issued and acquired pursuant to the Program, the inclusion of which will not adversely affect the rating on the Resolution Bonds. "FHLMC Securities" are participation certificates, recorded in the name of the Trustee or its nominee, under which the full and timely payment of interest and principal is guaranteed by the Federal Home Loan Mortgage Corporation, or any successor thereto, and which represent a proportional undivided ownership interest in Mortgage Loans.

FORM OF OPINION OF CO-BOND COUNSEL

Williams & Anderson PLC, and Hawkins Delafield & Wood LLP, Co-Bond Counsel to the Authority, each expects to render an opinion with respect to the Bonds, dated the date of issuance of the delivery of the Bonds, in substantially the following form:

December 18, 2008

Arkansas Development Finance Authority
Little Rock, Arkansas

Simmons First Trust Company, N.A.
Pine Bluff, Arkansas

As Co-Bond Counsel to the Arkansas Development Finance Authority (the "Authority"), a public body corporate and politic and an instrumentality of the State of Arkansas (the "State") created and existing under the laws of the State, we have examined a record of proceedings relating to the issuance by the Authority of its Single Family Mortgage Revenue Bonds, 2008 Series D (Mortgage-Backed Securities/Mortgage Loans Program), in the aggregate principal amount of \$30,000,000 (the "Bonds").

The Bonds are issued under and pursuant to the applicable provisions of the Arkansas Constitution and Sections 15-5-101 to 15-5-316, inclusive, of the Arkansas Code Annotated, as amended (the "Act"), the Single Family Mortgage Revenue Bonds General Resolution (Mortgage-Backed Securities/Mortgage Loans Program), adopted by the Authority on July 20, 1995, as amended and supplemented (the "General Resolution"), and the related Series Resolution Authorizing the Issuance and Sale of \$30,000,000 Single Family Mortgage Revenue Bonds, 2008 Series D (Mortgage-Backed Securities/Mortgage Loans Program), adopted by the Authority on November 20, 2008 (the "Series Resolution," and together with the General Resolution, the "Resolutions"). The Bonds are dated, mature on the dates in the principal amounts, bear interest, if any, and are payable, as provided therein and in the Resolutions. The Bonds are subject to redemption prior to maturity, in whole or in part, as set forth in the Resolutions.

Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds not be included in gross income for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). The Authority has adopted documents (the "Program Documents") with respect to its program of financing the acquisition of single-family residences in the State (the "Single Family Program") that establish procedures under which, if followed, such requirements can be met. The Authority has covenanted in the Resolutions to at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for Federal income tax purposes under any valid provision of law. In rendering this opinion, we have relied upon such covenant and have assumed compliance with and enforcement by the Authority of the provisions of the Resolutions and the Program Documents.

The Bonds do not constitute a debt, liability or general obligation of the State or any political subdivision thereof, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

The Authority is authorized to issue Single Family Mortgage Revenue Bonds, in addition to the Bonds, upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the 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.

We are of the opinion that:

1. Under the Constitution and laws of the State, the Act is valid and the Authority has been duly created and validly exists as a public body corporate and politic and an instrumentality of the State performing a governmental function of state concern, with lawful authority, among other things, to carry out the Single Family Program, to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of Single Family Mortgage Revenue Bonds, including the Bonds, and to perform its obligations under the terms and conditions of the Resolutions.
2. The Authority has the right and power pursuant to the Act to enter into the Resolutions and the Resolutions have been duly authorized, executed and delivered and constitute legally valid and binding obligations of the Authority enforceable in accordance with their terms.
3. The Bonds are valid and legally binding special revenue obligations of the Authority secured in the manner and to the extent set forth in the Resolutions and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained therein.

4. Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to the Code and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax.

5. Under existing statutes, interest on the Bonds is exempt from the State of Arkansas income tax imposed on individuals.

In rendering such opinions, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others in connection with the Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We are rendering our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel (other than Co-Bond Counsel to the extent we also render such opinion) on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state or local tax law.

In rendering this opinion, we are advising you that the enforceability of the Bonds and the Resolutions may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The Authority and the Trustee have entered into a Continuing Disclosure Agreement dated as of December 18, 2008, with respect to the Bonds (the "Continuing Disclosure Agreement"). The following is a summary of certain provisions contained in the Continuing Disclosure Agreement and is qualified in its entirety by reference to the Continuing Disclosure Agreement, copies of which may be obtained from the Authority or the Trustee, upon request.

Purpose

The Continuing Disclosure Agreement is executed and delivered by the Authority and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

Definitions

In addition to other definitions set forth in the text of this Official Statement, which also apply to capitalized terms used in this summary, the following capitalized terms have the following meanings:

"Annual Financial Information" means the financial information (which shall be prepared in accordance with any generally accepted accounting principles ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") which are applicable to information of the type being provided) and operating data with respect to the Authority and its Single Family Mortgage Revenue Bonds issued under the authority of the General Resolution, as of the end of the Authority's fiscal year, of the type set forth in the Authority's Official Statement with respect to the Bonds, dated December 10, 2008, concerning the following matters:

(a) Cumulative information regarding the proceeds of any additional series of bonds issued under the General Resolution which are being held for the financing of Mortgage Loans, including without limitation, (i) amounts initially deposited into the Acquisition Account, (ii) amounts applied to the purchase of Eligible Collateral, (iii) amounts held in the Acquisition Account for committed or closed Mortgage Loans, but not yet used to purchase Eligible Collateral, (iv) the balance of any uncommitted funds in the Acquisition Account, and (v) the final date for purchase of Eligible Collateral.

(b) Information detailing each series of bonds issued under the General Resolution reflecting: (i) series designation, (ii) date of issue, (iii) aggregate principal amount Outstanding, and (iv) final maturity of series;

(c) A summary combined balance sheet for all single family housing programs of the Authority for the fiscal year then ended and the four (4) previous fiscal years;

(d) A summary statement of combined revenues and expenses of all single family housing programs of the Authority for the fiscal year then ended and the four (4) previous fiscal years;

(e) Audited Financial Statements for the fiscal year then ended; and

(f) A separate summary statement, combined balance sheet and combined revenues and expenses of the program financed by Resolution Bonds for the fiscal year then ended and the four previous fiscal years.

"Audited Financial Statements" means the Authority's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by a firm of independent certified public accountants.

"Disclosure Representative" means the Vice President for Internal Audit and Information Technology of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Trustee from time to time.

"Dissemination Agent" means the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed under that caption in this summary.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriters" means the Underwriters of the Bonds named on the cover page hereof required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"State Repository" means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date hereof, there is no State Repository in Arkansas.

Annual Financial Information

The Authority shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the Authority's fiscal year (presently June 30), commencing with the report for the 2009 Fiscal Year, provide to each Repository Annual Financial Information which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may include by reference other information; provided that the Audited Financial Statements of the Authority may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

Not later than 15 Business Days prior to the date specified for providing the Annual Financial Information to Repositories, the Authority shall provide the Annual Financial Information to the Dissemination Agent (if other than the Authority) and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Financial Information, the Trustee shall contact the Authority and the Dissemination Agent (if other than the Authority) to determine if the Authority is in compliance with the foregoing sentence.

If the Trustee is unable to verify that an Annual Financial Information has been provided to Repositories by the date required, the Trustee shall send a notice to each National Repository, the Municipal Securities Rulemaking Board and the State Repository, if any.

The Dissemination Agent shall, unless the Authority has done so:

- (i) determine each year prior to the date for providing the Annual Financial Information the name and address of each National Repository and the State Repository, if any; and
- (ii) if the Dissemination Agent is other than the Authority, file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Financial Information has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Content of Annual Financial Information

The Authority's Annual Financial Information shall contain or include by reference the following:

- (1) the Annual Financial Information; and
- (2) Audited Financial Statements, to the extent not contained in the Annual Financial Information.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

Reporting of Significant Events

The Authority shall give, or cause to be given by the Trustee, notice to the National Repositories, the State Repository and the Municipal Securities Rulemaking Board, of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds and any other series of bonds issued under the General Resolution, if material under applicable federal securities laws:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of the Beneficial Owners of the Bonds;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

Notice of Listed Events described in items 4 and 5 above need not be given any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Resolution.

Termination of Reporting Obligation

The Authority's obligations under the Continuing Disclosure Agreement terminates upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event.

Dissemination Agents or Conduits

The Authority may satisfy its obligations to file any notice, document or information with a Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such Repository, to the extent permitted by the Securities and Exchange Commission ("SEC") or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the agent or conduit to transmit information to the Repository will be treated for purposes of the Rule as if such information were transmitted directly to the Repository.

Amendment; Waiver

The Authority and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions regarding Annual Financial Information, Annual Financial Statements, and Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined by the Rule) with respect to the Bonds;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Beneficial Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

The Authority shall describe such amendment in the next Annual Financial Information, and include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority.

Additional Information

The Authority may disseminate information other than that required by the Continuing Disclosure Agreement using the means of dissemination set forth in the Continuing Disclosure Agreement, but the Authority shall have no obligation to update such additional information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Default

In the event of a failure of the Authority or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Authority or the sole remedy under the Continuing Disclosure Agreement shall be an action to compel performance.

National Repositories. The National Repositories approved by the Securities and Exchange Commission as of the date hereof are listed below:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558

Phone: 609-279-3225
Fax: 609-279-5962
E-Mail: Munis@bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041

Phone: 212-438-4595
Fax: 212-438-3975
E-Mail: nrmsir_respository
@sandp.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038

Phone: 212-771-6999
Fax: 212-771-7390
E-Mail: NRMSIR@interactive
data.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024

Phone: 201-346-0701
Fax: 201-947-0107
E-Mail: nrmsir@dpodata.com

SELECTED FINANCIAL INFORMATION

The following are summaries of the combined assets, liabilities, and net assets and of the combined revenues and expenses of the Authority's single family mortgage purchase programs for the periods indicated:

Summary Combined Balance Sheets
for Single Family Mortgage Purchase Programs
(Dollar Amounts in Thousands)

	(Audited) June 30,					(Unaudited) September 30
	2004	2005	2006	2007	2008	2008
Assets ⁽¹⁾	<u>\$937,123</u>	<u>\$1,037,653</u>	<u>\$887,580</u>	<u>\$878,446</u>	<u>\$825,526</u>	<u>\$651,054</u>
Liabilities	\$882,450	\$973,580	\$854,985	\$846,790	\$780,884	\$612,534
Net Assets ⁽³⁾	<u>54,673</u>	<u>64,073</u>	<u>32,595</u>	<u>31,656</u>	<u>44,642</u>	<u>38,520</u>
Total	<u>\$937,123</u>	<u>\$1,037,653</u>	<u>\$887,580</u>	<u>\$878,446</u>	<u>\$825,526</u>	<u>\$651,054</u>

Summary Combined Revenues and Expenses
of Single Family Mortgage Purchase Programs
(Dollar Amounts in Thousands)

	(Audited) June 30,					(Unaudited) September 30
	2004	2005	2006	2007	2008	2008
Revenues ⁽¹⁾⁽³⁾	\$21,855	\$54,982	\$18,797	\$40,931	\$52,897	\$13,366
Expenses	<u>44,309</u>	<u>43,091</u>	<u>42,412</u>	<u>41,055</u>	<u>37,216</u>	<u>9,004</u>
Revenues Over Expenses ⁽²⁾	<u>\$(22,454)</u>	<u>\$11,891</u>	<u>\$(23,615)</u>	<u>\$(124)</u>	<u>\$15,681</u>	<u>\$4,362</u>

⁽¹⁾Since the application of assets and revenues of several single family mortgage purchase programs are restricted by the related resolutions, the totals of such assets and revenues reflected above are provided for general information and do not indicate that any of such assets or revenues are available in any manner or for any purpose other than that provided for in the resolutions applicable to the respective bond issues.

⁽²⁾Before transfers to and from other funds.

⁽³⁾Governmental Accounting Standards Board Statement No. 31, adopted fiscal year ending June 30, 1998, requires that certain investments be reported at fair value and that changes in the fair value of investments be reported as a component of investment income. Revenues have increased or decreased due to the net appreciation or depreciation in the fair value of investments as shown below.

Summary of Net Appreciation/Depreciation
of the Fair Value of Investments According to GASB 31
(Dollar Amounts in Thousands)

	(Audited) June 30,					(Unaudited) September 30
	2004	2005	2006	2007	2008	2008
Revenues: Net Appreciation (Depreciation)	\$(24,669)	\$6,963	\$(27,215)	\$(3,634)	\$11,748	\$3,656

The Bonds and other Resolution Bonds are secured by the program financed under the General Resolution. Set forth below are the balance sheets and revenues, expenses and changes in net assets for this program for the periods indicated.

Program Financed by Resolution Bonds
Balance Sheets
June 30, 2004, June 30, 2005, June 30, 2006,
June 30, 2007, June 30, 2008 and September 30, 2008
(Unaudited)

	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 20, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>September 30, 2008</u>
Assets:						
Cash and cash equivalents	\$68,414,539	\$100,536,385	\$55,008,409	\$43,187,112	\$51,624,728	\$5,341,118
Accrued interest receivable	2,192,233	2,105,846	2,053,629	2,422,166	2,201,475	2,892,328
Investments, at amortized cost	492,700,190	461,145,454	454,168,044	564,550,284	515,074,928	620,982,211 ^(A)
Deferred charges	<u>4,966,972</u>	<u>5,096,834</u>	<u>4,679,859</u>	<u>5,406,348</u>	<u>4,906,215</u>	<u>5,715,112</u>
Total Assets	<u>\$568,273,934</u>	<u>\$568,884,519</u>	<u>\$515,909,941</u>	<u>\$615,565,910</u>	<u>\$573,807,346</u>	<u>\$634,930,769</u>
Liabilities and Net Assets						
Liabilities:						
Bonds and notes payable, net of unamortized discounts and premiums	\$528,792,893	\$533,230,277	\$479,593,698	\$572,867,538	\$529,273,574	\$596,549,551
Accrued interest payable	14,827,976	13,204,881	11,855,936	12,989,348	13,187,395	6,794,875
Accounts payable	1,701,861	426,930	391,750	456,451	484,745	455,892
Deferred fees, advances, grants and credits	<u>4,571,218</u>	<u>4,264,209</u>	<u>4,051,430</u>	<u>4,440,251</u>	<u>4,979,679</u>	<u>5,054,521</u>
Total Liabilities	\$549,893,948	\$551,126,297	\$495,892,814	\$590,753,588	\$547,925,393	\$608,854,839
Net Assets	<u>18,379,986</u>	<u>17,758,222</u>	<u>20,017,127</u>	<u>24,812,322</u>	<u>25,881,953</u>	<u>26,075,930</u>
Total Liabilities and Net Assets	<u>\$568,273,934</u>	<u>\$568,884,519</u>	<u>\$515,909,941</u>	<u>\$615,565,910</u>	<u>\$573,807,346</u>	<u>\$634,930,769</u>
^(A) Mortgage-Backed Securities:						
GNMA		\$521,789,847				
FNMA		63,700,786				
Guaranteed Investment Contracts		<u>35,491,578</u>				
Investments, at Amortized Cost, September 30, 2008		<u>\$620,982,211</u>				

Program Financed by Resolution Bonds
Revenues, Expenses and Changes in Net Assets
for Fiscal Years Ended June 30, 2004, 2005, 2006, 2007 and 2008
and Year to Date September 30, 2008
(Unaudited)

	Fiscal Year Ended					Year to Date
	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	September 30, 2008
Revenues:						
Interest income:						
Investments	\$29,787,102	\$29,998,868	\$27,223,782	\$29,751,642	\$29,645,358	\$7,658,947
Amortization of discounts and premiums on loans and investments, net	537,748	535,914	420,651	303,170	346,337	73,040
Financing fee income	<u>984,250</u>	<u>888,602</u>	<u>913,388</u>	<u>669,259</u>	<u>627,620</u>	<u>284,740</u>
Total Revenues	31,309,100	31,423,384	28,557,821	30,724,071	30,619,315	8,016,727
Expenses:						
Current interest on bonds and notes	28,194,051	26,368,622	24,322,752	25,419,284	26,100,962	6,840,431
Amortized bond and note issuance cost	1,484,429	1,372,381	1,352,485	928,676	545,411	197,520
Administrative expenses	<u>667,116</u>	<u>725,400</u>	<u>719,963</u>	<u>855,833</u>	<u>971,258</u>	<u>408,982</u>
Total administrative expenses	<u>2,151,545</u>	<u>2,097,781</u>	<u>2,072,448</u>	<u>1,784,509</u>	<u>1,516,669</u>	<u>606,502</u>
Total Expenses	<u>30,345,596</u>	<u>28,466,403</u>	<u>26,395,200</u>	<u>27,203,793</u>	<u>27,617,631</u>	<u>7,446,933</u>
Excess of Revenues Over Expenses Before Transfers	963,504	2,956,981	2,162,621	3,520,278	3,001,684	569,794
Transfers (To) From Other Funds	<u>(1,992,530)</u>	<u>(3,578,745)</u>	<u>96,284</u>	<u>1,274,917</u>	<u>(1,932,053)</u>	<u>(375,817)</u>
Excess of Revenues Over Expenses After Transfers	(1,029,026)	(621,764)	2,258,905	4,795,195	1,069,631	193,977
Net Assets:						
Beginning of period	<u>19,409,012</u>	<u>18,379,986</u>	<u>17,758,222</u>	<u>20,017,127</u>	<u>24,812,322</u>	<u>25,881,953</u>
End of period	<u>\$18,379,986</u>	<u>\$17,758,222</u>	<u>\$20,017,127</u>	<u>\$24,812,322</u>	<u>\$25,881,953</u>	<u>\$26,075,930</u>

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**INVESTMENT AGREEMENTS FOR OUTSTANDING
RESOLUTION BONDS**

Series of Bonds	Fund/Account	Investment Agreement Provider	Rate	Maturity
1998 Series E	Taxable Revenue Taxable Prepayment Account Taxable Special Redemption Account	Bayerische Landesbank Girozentrale	5.00%	July 1, 2021
1997 Series D-B and 1999 Series A-1,B, and C	Revenue Account Prepayment Account Special Redemption Account	Bayerische Landesbank Girozentrale	5.10%	July 1, 2030
1999 Series C-2 and 2000 Series B and C	Revenue Account Restricted Prepayment Account Unrestricted Prepayment Account Special Redemption Account	Bayerische Landesbank Girozentrale	6.36%	July 1, 2031
2001 Series I	Revenue Account Prepayment Account Special Redemption Account	Trinity Plus Funding Company, LLC	5.26%	May 1, 2033
2002 Series A and B	Revenue Account Prepayment Account Special Redemption Account	Bayerische Landesbank Girozentrale	5.07%	December 1, 2015
2003 Series A and B	Revenue Account Prepayment Account Special Redemption Account	Transamerica Life Insurance and Annuity Company	4.10%	July 1, 2034
2003 Series C,D, and E	Revenue Account Prepayment Account Special Redemption Account	Transamerica Life Insurance and Annuity Company	4.10%	July 1, 2034
2007 Series A, B, and C	Revenue Account Prepayment Account Special Redemption Account Capitalized Interest Account	Calyon	4.268%	January 1, 2038
2007 Series D	Revenue Account Prepayment Account Special Redemption Account Capitalized Interest Account	San Sabia Capital Corp	4.90%	January 4, 2038

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