

NEW ISSUE**BOOK-ENTRY ONLY**

In the opinion of Bond Counsel to Rhode Island Housing, (1) under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017 Series 1-A Bonds (the “2017 Series 1-A Bonds”) and the 2017 Series 1-B Bonds (the “2017 Series 1-B Bonds” and, together with the 2017 Series 1-A Bonds, the “2017 Series 1 Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2017 Series 1-A Bond or 2017 Series 1-B Bond for any period during which such 2017 Series 1-A Bond or 2017 Series 1-B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of facilities financed with the proceeds of the 2017 Series 1-A Bonds or 2017 Series 1-B Bonds, respectively, or a “related person” and (ii) interest on the 2017 Series 1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (2) interest on the 2017 Series 2-T Bonds (the “2017 Series 2-T Bonds”) and the 2017 Series 3-T Bonds (the “2017 Series 3-T Bonds” and, together with the 2017 Series 2-T Bonds, the “2017 Series 2-T and 3-T Bonds”), if any, is included in gross income for Federal income tax purposes. In addition, in the opinion of Bond Counsel to Rhode Island Housing, pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, income on the 2017 Series 1 Bonds and the 2017 Series 2-T and 3-T Bonds (together, the “Series Bonds”) (including any profit on the sale thereof), is free from Rhode Island personal income taxes. (See “**TAX MATTERS**” herein.)

\$39,285,000**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION****Multi-Family Development Bonds****\$15,560,000 2017 Series 1-A (Non-AMT)****\$1,725,000 2017 Series 1-B (Non-AMT)****\$14,400,000 2017 Series 2-T (Federally Taxable)****\$7,600,000 2017 Series 3-T (Federally Taxable)†****Dated:** Date of Delivery**Due:** As shown on the inside cover

The Series Bonds are being issued as fixed rate bonds and will bear interest from their date of delivery, payable semi-annually on each April 1 and October 1, commencing October 1, 2017, at the rates set forth in the inside cover.

The 2017 Series 1 Bonds and the 2017 Series 2-T Bonds (together, the “2017 Series 1 and 2-T Bonds”) will be issued in denominations of \$5,000 principal amount or any integral multiple thereof, and the 2017 Series 3-T Bonds will be issued in denominations of \$100,000 principal amount or any integral multiple of \$5,000 in excess thereof (together, the “Authorized Denominations”). The Series Bonds will mature on the dates and in the principal amounts shown on the inside cover hereof and the 2017 Series 1 and 2-T Bonds will be subject to redemption as described herein.

The 2017 Series 1-A Bonds are subject to mandatory tender as described herein under the caption “**DESCRIPTION OF THE SERIES BONDS—The 2017 Series 1 and 2-T Bonds—Mandatory Tender of 2017 Series 1-A Bonds.**”

The Series Bonds are issuable only as fully registered bonds, without coupons, and when issued, are expected to be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry only form, in Authorized Denominations. Investors will not receive certificates representing their interest in the Series Bonds purchased. See “**DESCRIPTION OF THE SERIES BONDS—Book-Entry Only System**” herein. Interest on the Series Bonds is payable by check mailed to the registered owner. The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island acts as Trustee for the Series Bonds. The principal of and redemption premium, if any, on the Series Bonds are payable at the corporate trust office of the Trustee in its capacity of Paying Agent at its corporate trust office in Dallas, Texas. So long as Cede & Co. or another nominee of DTC is the registered owner of the Series Bonds, payments of the principal of, premium, if any, and interest on the Obligations will be made directly to DTC. Disbursement of such payments to Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of Direct Participants and Indirect Participants (as herein defined).

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

The Series Bonds are offered when, as and if issued and received by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Atlanta, Georgia and for Rhode Island Housing by its General Counsel, Nixon Peabody LLP, Providence, Rhode Island. It is expected that the Series Bonds in definitive form will be available for delivery in New York, New York on or about April 27, 2017.

Morgan Stanley**BofA Merrill Lynch****Janney Montgomery Scott****Oppenheimer & Co.**

Dated: April 12, 2017

J.P. Morgan**Barclays****Jefferies****RBC Capital Markets****George K. Baum & Company****Loop Capital Markets****Roosevelt & Cross, Inc.**

† Morgan Stanley & Co. LLC is the sole underwriter of the 2017 Series 3-T Bonds.

MATURITY SCHEDULE

2017 Series 1-A (Non-AMT)

\$4,675,000 1.600% 2017 Series 1-A Term Bonds due April 1, 2047[†] CUSIP^{††}: 76221TJB6
\$10,885,000 1.700% 2017 Series 1-A Term Bonds due October 1, 2047[†] CUSIP^{††}: 76221TJC4

2017 Series 1-B (Non-AMT)

\$1,725,000 4.200% 2017 Series 1-B Bonds due October 1, 2052 CUSIP^{††}: 76221TJD2

2017 Series 2-T (Federally Taxable)

2017 Series 2-T Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP^{††}</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP^{††}</u>
October 1, 2017	\$335,000	1.250%	76221TJE0	October 1, 2023	\$460,000	2.928%	76221THP7
April 1, 2018	395,000	1.500	76221THC6	April 1, 2024	465,000	3.028	76221THQ5
October 1, 2018	400,000	1.634	76221THD4	October 1, 2024	475,000	3.128	76221THR3
April 1, 2019	405,000	1.734	76221THE2	April 1, 2025	485,000	3.169	76221THS1
October 1, 2019	410,000	1.834	76221THF9	October 1, 2025	490,000	3.269	76221THT9
April 1, 2020	410,000	2.078	76221THG7	April 1, 2026	505,000	3.389	76221THU6
October 1, 2020	420,000	2.178	76221THH5	October 1, 2026	510,000	3.439	76221THV4
April 1, 2021	420,000	2.349	76221THJ1	April 1, 2027	520,000	3.489	76221THW2
October 1, 2021	430,000	2.449	76221THK8	October 1, 2027	535,000	3.539	76221THX0
April 1, 2022	435,000	2.599	76221THL6	April 1, 2028	545,000	3.589	76221THY8
October 1, 2022	445,000	2.699	76221THM4	October 1, 2028	555,000	3.639	76221THZ5
April 1, 2023	450,000	2.828	76221THN2				

\$3,900,000 4.069% 2017 Series 2-T Term Bonds due October 1, 2032 CUSIP^{††}: 76221TJA8

2017 Series 3-T (Federally Taxable)

\$7,600,000 0.000% 2017 Series 3-T Term Bonds due April 1, 2020 CUSIP^{††}: 76221THB8

Price of all Series Bonds: 100 %

[†] Subject to mandatory tender as described herein under the caption “DESCRIPTION OF THE SERIES BONDS—The 2017 Series 1 and 2-T Bonds—Mandatory Tender of 2017 Series 1-A Bonds.”

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

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by Rhode Island Housing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Series Bonds, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by Rhode Island Housing and obtained from other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Rhode Island Housing since the date hereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting Rhode Island Housing, its Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Series Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF RHODE ISLAND HOUSING AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

RHODE ISLAND HOUSING	3
PLAN OF FINANCING	8
SOURCES AND USES OF FUNDS	11
SECURITY FOR THE BONDS	11
DESCRIPTION OF THE SERIES BONDS	13
THE PROGRAM	20
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION	24
TRUSTEE	32
AGREEMENT OF THE STATE	32
STATE NOT LIABLE ON BONDS	32
LEGALITY FOR INVESTMENT	33
LITIGATION	33
APPROVAL OF LEGALITY	33
TAX MATTERS	33
FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING	39
UNDERWRITING	39
RATING	41
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE	41
MISCELLANEOUS	41
APPENDIX A	DESCRIPTION OF THE DEVELOPMENTS
APPENDIX B	SUMMARY OF OUTSTANDING BOND INDEBTEDNESS OF RHODE ISLAND HOUSING
APPENDIX C-1	AUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
APPENDIX C-2	UNAUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2016
APPENDIX D	CERTAIN DEFINITIONS
APPENDIX E	FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS
APPENDIX F	FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX G	PROPOSED FORM OF BOND COUNSEL OPINION

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OFFICIAL STATEMENT

\$39,285,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

Multi-Family Development Bonds

2017 Series 1-A (Non-AMT)

2017 Series 1-B (Non-AMT)

2017 Series 2-T (Federally Taxable)

2017 Series 3-T (Federally Taxable)

This Official Statement sets forth certain information concerning the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) in connection with the issuance of its \$15,560,000 Multi-Family Development Bonds, 2017 Series 1-A (Non-AMT) (the “2017 Series 1-A Bonds”), its \$1,725,000 Multi-Family Development Bonds, 2017 Series 1-B (Non-AMT) (the “2017 Series 1-B Bonds” and, together with the 2017 Series 1-A Bonds, the “2017 Series 1 Bonds”), its \$14,400,000 Multi-Family Development Bonds, 2017 Series 2-T (Federally Taxable) (the “2017 Series 2-T Bonds” and, together with the 2017 Series 1 Bonds, the “2017 Series 1 and 2-T Bonds”) and its \$7,600,000 Multi-Family Development Bonds, 2017 Series 3-T (the “2017 Series 3-T Bonds” and, together with the 2017 Series 2-T Bonds, the “2017 Series 2-T and 3-T Bonds”; the 2017 Series 1 and 2-T Bonds and the 2017 Series 3-T Bonds are collectively the “Series Bonds”). Rhode Island Housing is a public corporation and an instrumentality and agency of the State of Rhode Island and Providence Plantations (the “State”), created by the Rhode Island Housing and Mortgage Finance Corporation Act, constituting Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended and supplemented (the “Act”). The Series Bonds are being issued pursuant to the Act, the General Multi-Family Development Program Resolution, adopted on November 19, 2009 (the “General Resolution”), and the Multi-Family Development Program Supplemental Resolution, adopted on January 21, 2016, as supplemented by a Certificate of Determination delivered pursuant thereto (as so supplemented, the “Supplemental Resolution”). The General Resolution and the Supplemental Resolution are collectively referred to herein as the “Resolution.” Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed thereto in the Resolution. See **“APPENDIX D—CERTAIN DEFINITIONS.”**

The General Resolution authorizes Rhode Island Housing to issue and secure Bonds for the purposes of financing its operations relating to housing pursuant to the Act. The Series Bonds, the presently Outstanding (as of December 31, 2016) Multi-Family Development Bonds in an aggregate principal amount of \$198,205,000 previously issued under the General Resolution and any Multi-Family Development Bonds hereafter issued (collectively, the “Bonds”) are equally and ratably secured by a pledge of the Mortgage Loans, the Revenues derived from the Mortgage Loans financed by the Bonds and other moneys or property pledged therefor under the General Resolution.

Rhode Island Housing has financed 63 rental housing developments under the General Resolution, as of December 31, 2016 all but seven of which continued to be financed under the General Resolution (the “Prior Developments”), and is continually reviewing additional rental housing developments for future financing under the General Resolution. For a description of the Prior Developments, see **“APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.”**

The proceeds of the 2017 Series 1 Bonds are expected to be used to fund the financing of qualified mortgage loans for the acquisition and rehabilitation or development of three rental housing developments for low and moderate income persons and families (the “2017 Series 1 Developments” or the “Developments”) to three for-profit developers (the “Series Developers”). The proceeds of the 2017 Series 1-A Bonds will be used to fund construction loans relating to all three of the 2017 Series 1 Developments and the proceeds of the 2017 Series 1-B Bonds will be used to provide long-term financing to one of the 2017 Series 1 Developments. The Mortgage Loans financed with the proceeds of the 2017 Series 1-A Bonds are referred to herein as the “2017 Series 1-A Mortgage Loans” and the Mortgage Loan

financed with the proceeds of the 2017 Series 1-B Bonds is referred to herein as the “2017 Series 1-B Mortgage Loan” and together with the 2017 Series 1-A Mortgage Loans, the “Series Mortgage Loans.” The proceeds of the 2017 Series 2-T and 3-T Bonds are expected to be used to refund certain bonds, or portions thereof, of Rhode Island Housing issued under its General Housing Program Bond Resolution, adopted as of August 17, 1988, as amended (the “Housing Program General Resolution”), as described under the heading “**SOURCES AND USES OF FUNDS**” herein (the “Refunded Bonds”). Upon such refunding, certain Mortgage Loans (the “Transferred Mortgage Loans”) and other assets of the Refunded Bonds will then be transferred to and subject to the lien and pledge of the General Resolution and allocated to the Series Bonds. For a description of the 2017 Series 1 Developments and the anticipated Transferred Mortgage Loans, see “**PLAN OF FINANCING**” and “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**”

All but one of the 2017 Series 1 Developments and all of the developments relating to the Transferred Mortgage Loans are expected to receive rental assistance payments under the federal Section 8 program (in the case of Prospect Heights 1 (as described in “**PLAN OF FINANCING—2017 Series 1 Developments**”), the rental assistance payments will be under the Rental Assistance Demonstration (“RAD”) program). Under the Section 8 program and the RAD program, the United States Department of Housing and Urban Development (“HUD”) provides housing assistance payments to or for the account of the owners of developments assisted under such program (collectively, the “Section 8 Developments”). The housing assistance payments represent the difference between the total contract rents for such units and the eligible tenants’ rental payments, which are 30% of each such tenant’s income. The contract rents, as adjusted from time to time by HUD to reflect changing economic conditions (including increases in operating and maintenance costs) but subject to the limitations of the Section 8 program, together with the tenant’s rental payments, are used to pay debt service on the related Mortgage Loan and operating costs for the related Section 8 Development. Section 8 subsidy payments, which are paid directly to Rhode Island Housing and are pledged as security for Bonds, are subject to suspension under certain circumstances including vacancy of a subsidized unit. Such reduction or suspension is dependent upon the length of time of the vacancy. See “**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**”

The Section 8 subsidy payments are funded by HUD pursuant to Section 8 of the United States Housing Act of 1937, as amended (the “Housing Act”), through its obligations under certain Annual Contributions Contracts (the “ACCs”) with Rhode Island Housing and certain Housing Assistance Payments Contracts and, in the case of Prospect Heights 1, a Project Based Rental Assistance Contract (collectively, the “HAP Contracts”) between Rhode Island Housing and the owner of the Section 8 Development. The maximum terms of the HAP Contracts relating to Section 8 Developments other than Prospect Heights 1, including the initial terms and all permitted renewals, are 25 or 26 years, as applicable, with renewals in terms of five years; the maximum term of the Project Based Rental Assistance Contract relating to Prospect Heights is twenty years, with renewals in terms of five years. See “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**” The full faith and credit of the United States is pledged to the payment of annual contributions pursuant to the ACCs. The Bonds are not to be construed as a debt or indebtedness of HUD or the United States and payment of the Series Bonds is not guaranteed by the United States.

All of the Transferred Mortgage Loans (other than the second Mortgage Loan relating to Hillcrest Village) and the first Mortgage Loan relating to the 2017 Series 1 Developments are or will be insured by the Federal Housing Administration (“FHA”) under its risk sharing program (“FHA Risk Share”). See “**APPENDIX A — DESCRIPTION OF THE DEVELOPMENTS.**” The risk sharing program, established under Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “Risk Sharing Act”), allows state and local housing finance agencies that have entered into risk sharing agreements with HUD to carry out certain HUD functions in connection with the origination of FHA-insured mortgage loans, including, without limitation, assumption of loan underwriting, loan management and property disposition. Under the risk sharing agreement, the state or local housing finance agency must agree to reimburse HUD for a portion of the losses from any defaults that occur

while the contract of mortgage insurance is in effect. See “**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**”

Under various construction and regulatory agreements, Rhode Island Housing will oversee, or has overseen, the construction, rehabilitation and management of the 2017 Series 1 Developments. See “**THE PROGRAM.**” In accordance with the Internal Revenue Code of 1986, as amended (the “Code”), certain low and moderate income rental requirements will be imposed on the 2017 Series 1 Developments which must be met in order for interest on the 2017 Series 1 Bonds to be excluded from gross income for federal income tax purposes. See “**TAX MATTERS.**” Failure to meet such requirements could result in all interest accruing on the 2017 Series 1 Bonds since their date of issue becoming subject to federal income tax.

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

Following is a brief description of Rhode Island Housing and the financing provided by the Series Bonds, together with summaries of the terms of the Series Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be comprehensive, and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from Rhode Island Housing.

RHODE ISLAND HOUSING

General

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

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

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

Other Programs of Rhode Island Housing

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

Rhode Island Housing has issued bonds under two single family programs to finance the purchase of single family mortgage loans or securities comprised of pools of such single family mortgage loans.

As of December 31, 2016, Rhode Island Housing had approximately \$745,250,000 of such single family housing bonds outstanding.

In addition to the Resolution, Rhode Island Housing has four additional programs to assist in making multifamily housing available for occupancy by persons and families of low and moderate income. As December 31, 2016, Rhode Island Housing had approximately \$254,964,756 of such additional multifamily housing bonds outstanding.

Rhode Island Housing has funded all or a portion of the State's obligations under a state rental assistance program (the "Assistance Program") which provided Rental Subsidy Payments to certain entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island affordable by individuals or families of low or moderate income for most years since fiscal 1990. The State's obligation to make Rental Subsidy Payments under the Assistance Program was subject to annual appropriation by the Rhode Island General Assembly. From fiscal 1994 through fiscal 2016, Rhode Island Housing has made the annual payment on behalf of the State in amounts ranging from approximately \$4.2 million (in fiscal 2003) to \$0.6 million (in fiscal 2016). Such Rental Subsidy Payments were determined pursuant to contracts, the last of which expired in 2012. While for policy purposes Rhode Island Housing continues to make Rental Subsidy Payments on behalf of tenants residing in a certain diminishing number of rental units at this time, Rhode Island Housing has implemented a variety of plans to reduce its annual funding under the Assistance Program, with the goal of reducing, upon tenant turnover, the number of rental units subsidized under the Assistance Program to zero. Accordingly, Rhode Island Housing expects that any future payments it makes in connection with the Assistance Program will diminish each fiscal year, and there can be no assurance that Rhode Island Housing will continue to make any payments related to the Assistance Program in the future, on behalf of the State or otherwise.

In 1998, the State passed legislation that created a Housing Resources Commission (the "Commission") to provide policy direction and funding for housing-related programs and initiatives. Rhode Island Housing provides administrative support with regards to certain Commission activities.

Commissioners of Rhode Island Housing

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

The present commissioners of Rhode Island Housing are:

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

collaborative venture of the Graduate School of Design and the Harvard Kennedy School, and a Lecturer in Housing Studies at the Graduate School of Design.

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

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

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

Scottye Lindsey. Mr. Lindsey was appointed by Governor Gina Raimondo on November 1, 2016 to serve as the Director of the Department of Business Regulation. Prior to joining the Administration, Mr. Lindsey spent his professional career in banking and has over twenty years' experience in leveraged and investment grade corporate loan portfolio management and in credit risk management. During his eighteen years with Deutsche Bank, Mr. Lindsey specialized in the consumer, retail and healthcare industries. Mr. Lindsey served on the Deutsche Bank Americas Foundation board of directors where he evaluated low-cost loans in support of economic development, microfinance, affordable housing, environmental protection, healthcare and education. Mr. Lindsey also served as chair and treasurer of the board of Scenarios USA, a national organization using writing and film to foster youth advocacy, leadership, and self-expression. Mr. Lindsey received his undergraduate degree from Brown University and MBA from Cornell University.

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

[†] Bank of America Merrill Lynch is acting as one of the 2017 Series 1 and 2-T Underwriters (see "UNDERWRITING" herein).

State Debt Management Network. He is a graduate of Brown University and the Yale School of Management.

Stephen McAllister II. Mr. McAllister was appointed to the Board of Commissioners on April 3, 2014. He is Manager of the Eastern Region for the U.S. Chamber of Commerce. Prior to the U.S. Chamber of Commerce, Mr. McAllister was Director of Advance for Governor Lincoln Chafee and prior to that position, he was Field Director for Chafee for Governor election committee. He is a former Constituent/Community Liaison for United States Senator John E. Sununu of New Hampshire. For the past 3 years, he has served on the Pawtuxet River Authority and Watershed Council Board. Mr. McAllister is a graduate of Saint Anselm College and earned an MPA from the University of New Hampshire. His term expires on July 1, 2017.

Kevin D. Orth. Mr. Orth was appointed to the Board of Commissioners on June 30, 2015. Mr. Orth is co-Founder and Managing Member of Atlantic American Partners, LLC, a for-profit affordable housing development company based in Providence, RI. Prior to forming Atlantic American in 2001, Mr. Orth was Vice President in charge of acquisitions for Pacific American Properties, Inc. of Sausalito, California and prior to that position was an acquisitions associate at Leggat McCall Properties in Boston. Mr. Orth received a Master of City Planning degree from the University of California, Berkeley and a Bachelor of Arts degree from the University of Maryland. His term expired on July 1, 2016. Under the Act, he continues to serve until a successor is appointed and qualified.

Staff

The corporate staff, under the direction of the Executive Director, includes professionals and staff members working in Rhode Island Housing's six divisions: executive, finance, homeownership and customer service, development, loan servicing and resident services. Senior professional staff members of Rhode Island Housing include the following:

Barbara Fields – Executive Director. Named Executive Director of Rhode Island Housing in March, 2015, Barbara Fields has nearly 30 years of experience in expanding access to affordable housing, building livable communities and leading economic development efforts. Ms. Fields has deep expertise in affordable housing finance and community real estate development as well as a strong track record of developing successful collaborations among government, private sector, nonprofit and community partners. Ms. Fields most recently served as a Presidential appointee in the Obama administration as HUD's New England Regional Administrator. Prior to HUD, Ms. Fields served for 20 years as the founding Executive Director of the Rhode Island office of Local Initiatives Support Corporation (LISC), a national community development financial intermediary.

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

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

Peter Walsh – Deputy Director. Mr. Walsh was appointed Director of Homeownership and Customer Service in August of 2013 and appointed Deputy Director for Homeownership and Operations on June 24, 2015. He joined Rhode Island Housing in November of 2010 as Director of External Relations. Prior to joining Rhode Island Housing, Mr. Walsh had a 33 year career with Citizens Bank and Bank Rhode Island. Mr. Walsh received a Bachelor of Science in Accounting from Providence College, and a graduate degree in Banking from the ABA Stonier Graduate School of Banking at Rutgers University. Mr. Walsh serves on various local boards including Neighborhood Health Plan of Rhode Island and the Providence Revolving Fund.

Michael T. Fitzmaurice - Director of Finance. Mr. Fitzmaurice joined Rhode Island Housing in July, 2016 as Director of Finance. Prior to joining Rhode Island Housing, Mr. Fitzmaurice had a 35-year career at MassHousing in various Finance and Development roles. Mr. Fitzmaurice most recently served as Chief Financial Officer of MassHousing. Mr. Fitzmaurice also currently serves as an elected Trustee/Board Member of the MassHousing Retirement System. Mr. Fitzmaurice received a Bachelor of Science degree from Boston College and Master of Science degree in Finance from Bentley College.

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

Richard G. Hartley – Treasurer. Mr. Hartley joined Rhode Island Housing in November, 1995 as Assistant Treasurer. He was appointed Portfolio Manager in July, 2000 and Treasurer in April, 2005. From 1976 to 1995, Mr. Hartley held positions in the Commercial Lending, Finance and Treasurer's Groups at Old Stone Bank, Providence, Rhode Island. Since 1988 he served as Vice President and Manager of the Bank's Asset/Liability Department. Mr. Hartley received a Master of Business Administration degree and a Bachelor of Arts degree from the University of Rhode Island. Mr. Hartley is expected to retire as of May 1, 2017.

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

Leslie McKnight – Assistant Deputy Director of Loan Servicing. Ms. McKnight was appointed Director of Loan Servicing in September, 2003 and was appointed Assistant Deputy Director of Loan Servicing in January, 2017. She joined Rhode Island Housing in June, 1995 as the Default Manager. She was appointed Assistant Director of Loan Servicing in July, 2000. Prior to her employment at Rhode Island Housing, Ms. McKnight worked as a Loan Workout Specialist for Plymouth Mortgage Company from 1991 to 1995. Between 1982 and 1991, she held various positions in Retail Banking and Mortgage Lending including Assistant Branch Manager at Citizens Bank. Ms. McKnight received her Bachelor of Science degree in Business Administration from Bryant College.

Peter C. Pagonis – Director of Homeownership. Mr. Pagonis joined Rhode Island Housing in October, 2013 as Lender Services Manager and was appointed Director of Homeownership in August, 2015. Prior to joining Rhode Island Housing, Mr. Pagonis worked as a Business Development Advisor with the Peace Corps in León, Nicaragua. From 2000 to 2010, Mr. Pagonis was a Corporate Banking Associate at FleetBoston Financial, a Loan Officer at Bank of America, and an Assistant Vice President at

Bank Rhode Island. Mr. Pagonis received a Master of Business Administration degree from Boston University Questrom School of Business and a Bachelor of Arts degree from St. Lawrence University.

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

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

PLAN OF FINANCING

The 2017 Series 2-T and 3-T Bonds are being issued to refund certain of Rhode Island Housing’s Housing Bonds (Rental Housing Program) as described under the heading “**SOURCES AND USES OF FUNDS**” herein; upon the refunding of the Refunded Bonds, Mortgage Loans (the “Transferred Mortgage Loans”) and other assets allocated to the Refunded Bonds will then be transferred to and subject to the lien and pledge of the General Resolution and allocated to the Series Bonds. Information regarding the developments relating to the Mortgage Loans expected to become Transferred Mortgage Loans, and the allocation thereof to the Series Bonds is included in **APPENDIX A** hereto.

The 2017 Series 1 Bonds are being issued to finance Mortgage Loans made for the purpose of funding acquisition and rehabilitation of the related Developments (see the description of the 2017 Series 1 Developments below); the Mortgage Loans funded with proceeds of the 2017 Series 1-A Bonds are expected to be repaid with tax credit equity proceeds upon completion of rehabilitation for each respective 2017 Series 1 Development. In the event any such Mortgage Loan repayment occurs later than expected, Rhode Island Housing may not be able to purchase the 2017 Series 1-A Bonds on the Mandatory Tender Date (as hereinafter defined). See “**DESCRIPTION OF THE SERIES BONDS—The 2017 Series 1 and 2-T Bonds—Mandatory Tender of 2017 Series 1-A Bonds**” herein.

Proceeds of the Series Bonds not used for the Developments described below may be used to fund other similar projects at the direction of Rhode Island Housing; provided, however, that there can be no assurances that the mortgage collateral on such future projects funded by the Series Bonds or additional future Bonds will not be materially different from that of the Developments described below and in **APPENDIX A** hereto. See “**THE PROGRAM**” herein for a description of the guidelines used by Rhode Island Housing for its multi-family lending program.

2017 Series 1 Developments

All three of the following 2017 Series 1 Developments are expected to be financed with the proceeds of the 2017 Series 1-A Bonds; one of the below 2017 Series 1 Developments (Prospect Heights 1) is expected to also be financed with proceeds of the 2017 Series 1-B Bonds.

60 King Street (“60 King Street”) will be a 22-unit family development located in Providence. There will be 1 efficiency, 5 one-bedroom, 6 two-bedroom, and 10 three-bedroom units. The proceeds of the Mortgage Loan in the amount of \$6,500,000 will be used to finance the acquisition and rehabilitation of the development. The Mortgage Loan will be fully repaid upon construction completion, anticipated by the related Series Developer to be no more than 24

months from closing. 60 King Street is approximately 39% of a larger former mill structure that will contain an additional 38 units in a sister project that will be developed simultaneously under a separate plan of finance. Two of the units will receive rental subsidy pursuant to a HUD 811 subsidy contract.

Greenwood Terrace (“Greenwood Terrace”) is an existing 53-unit development for elderly households located in Warwick. There are 49 one-bedroom and 4 two-bedroom units. The proceeds of the Mortgage Loan in the amount of \$4,385,000 will be used to finance the acquisition and rehabilitation of the development. The Mortgage Loan will be fully repaid upon construction completion, anticipated by the related Series Developer to be no more than 20 months from closing. All 53 units at Greenwood Terrace receive rental subsidies pursuant to a HAP contract that runs through November 1, 2036.

Prospect Heights 1 (“Prospect Heights 1”) is an existing 101-unit family development located in Pawtucket. Prospect Heights 1 is currently part of the Pawtucket Housing Authority’s public housing portfolio, and is being redeveloped as part of a Rental Assistance Demonstration (RAD) project. There are 24 one-bedroom, 42 two-bedroom, 30 three-bedroom and 5 four-bedroom units. The proceeds of the Mortgage Loan in the amount of \$6,400,000 will be used to finance the acquisition and rehabilitation of the development. \$4,675,000 of the Mortgage Loan will be repaid upon construction completion, anticipated by the related Series Developer to be no more than 24 months from closing. The remaining Mortgage Loan amount of \$1,725,000 will be amortized and paid over forty years. All of the units at Prospect Heights 1 will receive rental subsidies pursuant to a 20 year Project Based Rental Assistance Contract executed at closing as part of the RAD redevelopment.

Additional Information

The 2017 Series 1 Developments are being financed pursuant to Rhode Island Housing’s Multi-Family Development Program. Each owner of a 2017 Series 1 Development has entered, or will enter prior to the receipt of funds from Rhode Island Housing, into a Regulatory Agreement with respect to the related Development under which the owner covenants that subsequent to the expiration of any HAP Contract, all of the units in the Development will be restricted to individuals earning not more than 60% of area median income (as adjusted for household size) (the “Median Family Income”). In the event that project-based rental assistance is made available to the owner of a 2017 Series 1 Development financed under the Multi-Family Development Program, during the term of the related Regulatory Agreement, the owner shall, to the extent economically feasible, endeavor to lease at least forty percent (40%) of the units to tenants with aggregate family income not in excess of forty percent (40%) of the Median Family Income. Notwithstanding the foregoing, Greenwood Terrace is expected to be occupied exclusively by elderly tenants or tenants of age 62 or older (an “Elder Development”), and such Development may admit tenants with incomes up to eighty percent (80%) of Median Family Income subject to the income limitations imposed by the Code (see “**TAX MATTERS**”); and provided, however, that to the extent an Elder Development has received low-income housing tax credits as described below, the occupancy restrictions mandated by the tax credit program shall govern. Subsequent to the expiration of any HAP Contract, tenant contribution of rental charges for each unit, including utility payments, may not exceed the maximum tenant contribution in effect for the tax credit program below.

In addition, all of the 2017 Series 1 Developments have been awarded low income housing tax credits (“Tax Credits”). It is anticipated that such Tax Credits will be syndicated by the developers resulting in equity contributions with respect to such 2017 Series 1 Developments. In connection with the use of Tax Credits, restrictive covenant agreements will be executed with respect to each Development receiving such Tax Credits which will require that either (i) 20% of the units must be rented to persons earning 50% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 50% of area median income (after adjusting for utility provisions and family size); or (ii) 40% of the units must be rented to persons earning 60% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 60% of area median income (after

adjusting for utility provisions and family size). The rent and income restrictions of the Multi-Family Development Program and the Tax Credit program are co-extensive; satisfaction of the Multi-Family Development Program requirements for developments will result in compliance with the Tax Credit requirements and the income and rental restrictions which must be met with respect to the 2017 Series 1 Developments in connection with the 2017 Series 1 Bonds. See “**TAX MATTERS**” herein.

Risks Attending any Investment in Real Estate

Risks attending any investment in real estate include, without limitation, possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in property value in the 2017 Series 1 Developments and the developments financed by the Transferred Mortgage Loans, increases in operating costs due to inflation, non-compliance of tenants with the terms of their leases, unfavorable governmental regulation (such as enactment of rent controls), force majeure and uninsurable risks, construction strikes and decrease in the relative popularity of real estate investments as contrasted with other investments. These risks and many others cannot be controlled by Rhode Island Housing and may have a substantial bearing on the profitability and financial feasibility of the 2017 Series 1 Developments and the developments financed by the Transferred Mortgage Loans, and which may affect the realizable value of the real estate and other collateral securing payment of the Series Bonds.

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

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds from the sale of the Series Bonds and a contribution from Rhode Island Housing are as follows:

Sources of Funds:	
Principal Amount of 2017 Series 1-A Bonds	\$15,560,000.00
Principal Amount of 2017 Series 1-B Bonds	1,725,000.00
Principal Amount of 2017 Series 2-T Bonds	14,400,000.00
Principal Amount of 2017 Series 3-T Bonds	7,600,000.00
Excess Revenues of the Resolution	<u>1,511,866.00</u>
Total Sources	\$40,796,866.00
Uses of Funds:	
Deposit to Series Bond Proceeds Account ¹	\$39,285,000.00
Deposit to Debt Service Reserve Account	1,140,866.23
Underwriters' Fee	230,999.77
Other Costs of Issuance	<u>140,000.00</u>
Total Uses	\$40,796,866.00

¹ \$22,000,000 of such funds, together with \$6,750,000 of other funds available under Rhode Island Housing's Housing Program General Resolution, are expected to be used to redeem all of Rhode Island Housing's outstanding Housing Bonds, 2007 Series A-1, on or about May 12, 2017. Upon the refunding and redemption of such bonds, certain Transferred Mortgage Loans (see **APPENDIX A** herein) relating to such Refunded Bonds and other assets of the Refunded Bonds will be transferred to and subject to the lien and pledge of the General Resolution and allocable to the Series Bonds.

SECURITY FOR THE BONDS

Pledge of the Resolution

The Mortgage Loans and the Revenues and all amounts held in any Account established under the Resolution (except the Rebate Account) including investments thereof, have been pledged and assigned to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions therein set forth. To the fullest extent provided by the Act and other applicable laws, the money and property pledged and assigned pursuant to the Resolution are subject to the lien of such pledge and assignment without any physical delivery thereof or further act, and such lien is valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice thereof.

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

Mortgage Loans permitted to be financed pursuant to the Resolution include first lien, coordinate first lien and second lien mortgage loans as well as participations therein with other investors or with other funds of Rhode Island Housing. Mortgage Loans may only be financed in connection with Rhode Island Housing's activities permitted under the Act.

Debt Service Reserve Account

Upon the issuance and delivery of a Series of Bonds, there is required to be on deposit in the Debt Service Reserve Account an amount at least equal to the aggregate amounts for all Series established under the Supplemental Resolutions authorizing such Series (the "Debt Service Reserve Account

Requirement”). The Supplemental Resolution for the Series Bonds establishes the amount for each such Series, other than the 2017 Series 3-T Bonds, as one-half of the greatest amount required in the then current or any future calendar year to pay Debt Service with respect to such Series in such Fiscal Year; the amount so established with respect to the 2017 Series 3-T Bonds is zero. Such amounts established for other Series of Bonds shall be set forth in the Supplemental Resolution authorizing such Bonds. Upon the issuance and delivery of the Series Bonds, the amount on deposit in the Debt Service Reserve Account will be at least equal to the Debt Service Reserve Account Requirement.

Deposits to the Debt Service Reserve Account may be made either in the form of (a) a cash deposit of proceeds of a Series of Bonds or amounts available under the Resolution or (b) Cash Equivalents. Prior to the issuance of the Series Bonds, the aggregate Debt Service Reserve Account Requirement was \$9,284,661. In connection with the issuance of the Series Bonds, a deposit will be made to the Debt Service Reserve Account consisting of reserve investments and cash transferred from the Housing Program General Resolution upon the refunding of the Refunded Bonds. See “**SOURCES AND USES OF FUNDS.**”

If on any Interest Payment Date or Redemption Date, the amount in the Redemption Account, if applicable, and the Revenue Account shall be less than the amount required for the payment of the principal or Redemption Price and interest due on the Bonds to be paid or redeemed on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency. If, after payment of amounts due under the Resolution for interest, principal, redemptions and Program Expenses, the amount in the Debt Service Reserve Account is in excess of the Debt Service Reserve Requirement, the Trustee shall transfer moneys from the Debt Service Reserve Account to the Revenue Account, but only to the extent necessary to meet the payments required to be made from the Revenue Account. Additionally, amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement shall, upon receipt by the Trustee of the written instructions of an Authorized Officer determining to withdraw such amount, be paid to and deposited in the Revenue Account.

Additional Bonds

Additional Series of Bonds may be issued as provided in the General Resolution on a parity with the Bonds and secured by an equal charge and lien on the revenues and assets pledged under the General Resolution and payable equally therefrom so long as (i) no Event of Default shall be existing and continuing and (ii) written notice from each rating agency then rating the Outstanding Bonds is received, confirming that the issuance of such additional Bonds will not result in a reduction of the rating then applicable to such Bonds, or cause such rating agency to suspend or withdraw its rating then applicable to the Outstanding Bonds, but no Series of Bonds may be issued if the principal amount of all Bonds issued or to be issued will exceed any limitation imposed by law nor if, upon the issuance and delivery of such Bonds, the amount credited to the Debt Service Reserve Account will be less than the Debt Service Reserve Account Requirement. See “**SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Provisions for Issuance of Bonds, Provisions for Refunding Issues.**”

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DESCRIPTION OF THE SERIES BONDS

The 2017 Series 1 and 2-T Bonds

The 2017 Series 1 and 2-T Bonds are being issued as fixed rate bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The 2017 Series 1 and 2-T Bonds will be dated and will bear interest from their date of delivery, at the rates set forth on the inside cover page hereof, payable on each April 1 and October 1 thereafter, commencing October 1, 2017. Calculations of interest on the 2017 Series 1 and 2-T Bonds will be based on a 360-day year consisting of twelve 30-day months.

Mandatory Tender of 2017 Series 1-A Bonds

The 2017 Series 1-A Bonds maturing on April 1, 2047 and the 2017 Series 1-A Bonds maturing on October 1, 2047 are each subject to mandatory tender for purchase (with no right to retain) on April 1, 2019 and October 1, 2019, respectively (each, a “Mandatory Tender Date”), at a price equal to 100% of the principal amount thereof plus accrued interest (the “Purchase Price”). The Trustee will deliver a notice of mandatory tender to Bondholders, at least 15 days prior to each Mandatory Tender Date, stating the Mandatory Tender Date, the Purchase Price, and that all Bondholders of the related 2017 Series 1-A Bonds subject to such Mandatory Tender Date will be deemed to have tendered their 2017 Series 1-A Bonds upon the Mandatory Tender Date. 2017 Series 1-A Bonds purchased on a Mandatory Tender Date will be cancelled.

It is anticipated that the Purchase Price for the 2017 Series 1-A Bonds will be derived from the payment of the Mortgage Loans relating to the 2017 Series 1-A Bonds upon the completion of rehabilitation of each 2017 Series 1 Development (see “**PLAN OF FINANCING**” herein). The 2017 Series 1-A Bonds do not, nor is there currently any requirement or assurance that the 2017 Series 1-A Bonds will, have the benefit of a liquidity or other credit facility to pay the purchase price of the 2017 Series 1-A Bonds on the Mandatory Tender Date.

In the event that prior to the Mandatory Tender Dates of April 1, 2019 or October 1, 2019, the Mortgage Loan relating to the 2017 Series 1-A Bonds has not been paid in full and there are no other funds available to redeem the 2017 Series 1-A Bonds on the related Mandatory Tender Date, (i) the Trustee will deliver a notice to Bondholders that the 2017 Series 1-A Bonds shall not be subject to mandatory tender on the related Mandatory Tender Date, (ii) such Outstanding 2017 Series 1-A Bonds will be retained by the Bondholders, (iii) any 2017 Series 1-A Bonds that remain Outstanding after the related Mandatory Tender Date shall bear interest at a rate of 10% per annum, from the date of the Mandatory Tender Date to but not including the date of redemption of such 2017 Series 1-A Bonds, and (iv) such 2017 Series 1-A Bonds will remain subject to optional and special redemption as described below under the headings “—*Redemption Provisions*—Optional Redemption,” “—Mandatory Sinking Fund Redemption” and “—Special Redemption.”

Redemption Provisions

The 2017 Series 1 and 2-T Bonds are subject to redemption as described below.

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Optional Redemption

The 2017 Series 1-A Bonds maturing on April 1, 2047 are redeemable, at the option of Rhode Island Housing, on or after October 1, 2018 and the 2017 Series 1-A Bonds maturing on October 1, 2047 are redeemable, at the option of Rhode Island Housing, on or after April 1, 2019 in whole or in part on any date upon not less than twenty days notice, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

The 2017 Series 1-B Bonds and 2017 Series 2-T Bonds are redeemable, at the option of Rhode Island Housing, on or after October 1, 2026, in whole or in part on any date upon not less than twenty days notice, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The 2017 Series 1-A Bonds maturing April 1, 2047 and October 1, 2047, the 2017 Series 1-B Bonds maturing on October 1, 2052 and the 2017 Series 2-T Bonds maturing on October 1, 2032 are subject to mandatory redemption, in part, by lot, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, by application of Sinking Fund Payments which are required to be made to redeem such Bonds in the respective amounts on each of the dates shown below:

2017 Series 1-A Term Bonds Due April 1, 2047

Date	Principal Amount	Date	Principal Amount
April 1, 2026	\$100,000	April 1, 2037	\$105,000
October 1, 2026	100,000	October 1, 2037	110,000
April 1, 2027	100,000	April 1, 2038	110,000
October 1, 2027	100,000	October 1, 2038	110,000
April 1, 2028	100,000	April 1, 2039	110,000
October 1, 2028	100,000	October 1, 2039	110,000
April 1, 2029	100,000	April 1, 2040	115,000
October 1, 2029	100,000	October 1, 2040	115,000
April 1, 2030	100,000	April 1, 2041	115,000
October 1, 2030	100,000	October 1, 2041	115,000
April 1, 2031	100,000	April 1, 2042	115,000
October 1, 2031	100,000	October 1, 2042	120,000
April 1, 2032	100,000	April 1, 2043	120,000
October 1, 2032	100,000	October 1, 2043	120,000
April 1, 2033	100,000	April 1, 2044	120,000
October 1, 2033	100,000	October 1, 2044	120,000
April 1, 2034	105,000	April 1, 2045	120,000
October 1, 2034	105,000	October 1, 2045	120,000
April 1, 2035	105,000	April 1, 2046	125,000
October 1, 2035	105,000	October 1, 2046	125,000
April 1, 2036	105,000	April 1, 2047 [†]	125,000
October 1, 2036	105,000		

[†]Final Maturity

2017 Series 1-A Term Bonds Due October 1, 2047

Date	Principal Amount	Date	Principal Amount
April 1, 2026	\$215,000	April 1, 2037	\$245,000
October 1, 2026	215,000	October 1, 2037	250,000
April 1, 2027	215,000	April 1, 2038	250,000
October 1, 2027	215,000	October 1, 2038	255,000
April 1, 2028	215,000	April 1, 2039	255,000
October 1, 2028	215,000	October 1, 2039	255,000
April 1, 2029	215,000	April 1, 2040	260,000
October 1, 2029	220,000	October 1, 2040	260,000
April 1, 2030	220,000	April 1, 2041	265,000
October 1, 2030	220,000	October 1, 2041	265,000
April 1, 2031	225,000	April 1, 2042	270,000
October 1, 2031	225,000	October 1, 2042	270,000
April 1, 2032	225,000	April 1, 2043	270,000
October 1, 2032	230,000	October 1, 2043	275,000
April 1, 2033	230,000	April 1, 2044	275,000
October 1, 2033	230,000	October 1, 2044	280,000
April 1, 2034	235,000	April 1, 2045	280,000
October 1, 2034	235,000	October 1, 2045	285,000
April 1, 2035	240,000	April 1, 2046	285,000
October 1, 2035	240,000	October 1, 2046	285,000
April 1, 2036	240,000	April 1, 2047	290,000
October 1, 2036	245,000	October 1, 2047 [†]	295,000

[†] Final Maturity

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2017 Series 1-B Term Bonds Due October 1, 2052

Date	Principal Amount	Date	Principal Amount
April 1, 2019	\$15,000	April 1, 2036	\$25,000
October 1, 2019	15,000	October 1, 2036	25,000
April 1, 2020	15,000	April 1, 2037	25,000
October 1, 2020	15,000	October 1, 2037	25,000
April 1, 2021	15,000	April 1, 2038	25,000
October 1, 2021	15,000	October 1, 2038	25,000
April 1, 2022	15,000	April 1, 2039	25,000
October 1, 2022	15,000	October 1, 2039	25,000
April 1, 2023	15,000	April 1, 2040	25,000
October 1, 2023	15,000	October 1, 2040	25,000
April 1, 2024	15,000	April 1, 2041	25,000
October 1, 2024	15,000	October 1, 2041	25,000
April 1, 2025	15,000	April 1, 2042	30,000
October 1, 2025	15,000	October 1, 2042	30,000
April 1, 2026	15,000	April 1, 2043	30,000
October 1, 2026	20,000	October 1, 2043	30,000
April 1, 2027	20,000	April 1, 2044	30,000
October 1, 2027	20,000	October 1, 2044	30,000
April 1, 2028	20,000	April 1, 2045	30,000
October 1, 2028	20,000	October 1, 2045	35,000
April 1, 2029	20,000	April 1, 2046	35,000
October 1, 2029	20,000	October 1, 2046	35,000
April 1, 2030	20,000	April 1, 2047	35,000
October 1, 2030	20,000	October 1, 2047	40,000
April 1, 2031	20,000	April 1, 2048	40,000
October 1, 2031	20,000	October 1, 2048	40,000
April 1, 2032	20,000	April 1, 2049	40,000
October 1, 2032	20,000	October 1, 2049	40,000
April 1, 2033	20,000	April 1, 2050	40,000
October 1, 2033	20,000	October 1, 2050	45,000
April 1, 2034	20,000	April 1, 2051	45,000
October 1, 2034	20,000	October 1, 2051	45,000
April 1, 2035	20,000	April 1, 2052	45,000
October 1, 2035	25,000	October 1, 2052 [†]	45,000

[†] Final Maturity

2017 Series 2-T Term Bonds Due October 1, 2032

Date	Principal Amount	Date	Principal Amount
April 1, 2029	\$450,000	April 1, 2031	\$490,000
October 1, 2029	460,000	October 1, 2031	505,000
April 1, 2030	470,000	April 1, 2032	510,000
October 1, 2030	485,000	October 1, 2032 [†]	530,000

[†] Final Maturity

Special Redemption

Except as otherwise provided below, all 2017 Series 1 and 2-T Bonds are subject to redemption, in whole or in part on any date, at the option of Rhode Island Housing, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, from moneys deposited in the Redemption Account, on account of (a) the optional prepayment of a Mortgage Loan, if any (see “**THE PROGRAM—Prepayment of Mortgage Loans**”); (b) the sale or other disposition of property financed by a Mortgage Loan which Rhode Island Housing has taken title to or possession of as a result of an event of default under the Mortgage Loan with respect thereto; (c) condemnation of property financed by a Mortgage Loan or part thereof; (d) other proceedings taken in the event of default under a Mortgage Loan; (e) moneys deposited in the Redemption Account on account of Series Bond proceeds remaining on deposit in the Bond Proceeds Account which have not been used to make or fund the Series Mortgage Loans; (f) Revenues (including Mortgage Loan prepayments) under the General Resolution in excess of the amount required to meet Debt Service requirements, the Debt Service Reserve Account Requirement and Program Expenses with respect to all Bonds outstanding under the General Resolution; or (g) mortgage insurance or guaranty or hazard insurance proceeds.

General Provisions

In the case of any redemption of Bonds at the election or direction of Rhode Island Housing, Rhode Island Housing shall give written notice to the Trustee of its election or direction so to redeem, of the Redemption Date, of the principal amounts of the Bonds of such Series (and subseries, if applicable) and maturities to be redeemed (which Redemption Date, Series (and subseries, if applicable), maturities and principal amounts thereof to be redeemed shall be determined by Rhode Island Housing in its sole discretion, subject to any limitations with respect thereto contained in or permitted by the Resolution) and of any moneys to be applied to the payment of the Redemption Price.

If less than all of the Outstanding Bonds of a like Series and maturity are to be redeemed, the Trustee shall select increments of \$5,000 maturity amount of such Series and maturity to be redeemed on a proportionate basis.

Notice of Redemption

Notice of redemption of Bonds shall be given by the Trustee in the name of Rhode Island Housing. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing a copy thereof, first class postage prepaid, not less than 20 days nor more than 30 days prior to the Redemption Date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Notices to Bondholders of at least \$1,000,000 principal amount of Bonds, national information services, and any Depositaries, upon written request, shall also be sent by certified mail, return receipt requested. Bondholders of at least \$1,000,000 principal amount of Bonds may request that notices also be sent to an additional address. If the Bonds to be redeemed are fully registered, then mailing of notice of redemption to the holders thereof shall be sufficient, and Rhode Island Housing may elect to dispense with the publication of such notice. A Bondholder may waive its right to receive notice pursuant to this section.

A copy of any notice sent pursuant to the preceding paragraph shall be sent by the Trustee to at least two of the national information services that disseminate redemption notices or redemption notice information (so long as two such services exist).

A second notice must be sent by the Trustee to any Bondholder whose Bonds have been redeemed but who has not delivered its Bonds for redemption by the sixtieth day following the applicable Redemption Date. Such notice shall be sent in the manner and shall include the same information described in the first paragraph of this section.

The 2017 Series 3-T Bonds

The 2017 Series 3-T Bonds are being issued as fixed rate bonds in denominations of \$100,000 principal amount or any integral multiple of \$5,000 in excess thereof. The 2017 Series 3-T Bonds will be dated and will bear interest from their date of delivery, at the rate set forth on the inside cover page hereof, payable on each April 1 and October 1 thereafter, commencing October 1, 2017. Calculations of interest on the Series Bonds will be based on a 360-day year consisting of twelve 30-day months.

The 2017 Series 3-T Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

When the Series Bonds are issued, ownership interests will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company (“DTC”), New York, New York, or such other depository institution designated by Rhode Island Housing pursuant to the Resolution. Purchasers of beneficial interests in the Series Bonds will not receive certificates reflecting their interests in the Series Bonds.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES BONDS AS NOMINEE FOR DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE SERIES BONDS (EXCEPT UNDER “TAX MATTERS”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES BONDS.

The following information included under this caption (except for the last two paragraphs) concerning DTC and DTC’s book-entry system has been obtained from DTC, but no representation is made by Rhode Island Housing, the Underwriters or the Trustee as to the accuracy or adequacy thereof.

DTC will act as securities depository for the Series Bonds. The Series Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series Bond certificate will be issued for each maturity of the Series Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and Non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s 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 (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series Bonds, except in the event that use of the book-entry system for the Series Bonds is discontinued.

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

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption, principal, interest and purchase price payments on the Series 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 Rhode Island Housing or the Trustee, Bond Registrar or Tender Agent, on payable date in accordance with their respective holdings shown on DTC’s record. 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, the Bond Registrar, the Tender Agent or

Rhode Island Housing, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption, principal, interest and purchase price payments to Cede & Co. (or such other nominees as may be requested by an authorized representative of DTC) is the responsibility of the Rhode Island Housing or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of Series Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in such Series Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series Bonds at any time by giving reasonable notice to Rhode Island Housing or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series Bond certificates are required to be printed and delivered. Rhode Island Housing may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series Bond certificates will be printed and delivered to DTC.

In the event such Series Bond certificates are issued, the Beneficial Owner, upon registration of the Series Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Resolution and the provisions of the Resolution shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the Series Bonds.

NEITHER RHODE ISLAND HOUSING, NOR THE TRUSTEE, NOR THE BOND REGISTRAR, NOR THE TENDER AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PRICE OR PURCHASE PRICE OF OR INTEREST ON THE SERIES BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE RESOLUTION; (IV) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE PROGRAM

Under Rhode Island Housing's Multi-Family Development Program (the "Multi-Family Development Program" or the "Program"), Rhode Island Housing may finance only developments in which at least 20% of the rental units are occupied or are to be occupied by persons and families whose income is 50% or less of the Area Median Gross Income or developments in which at least 40% of the rental units are occupied or are to be occupied by persons and families whose income is 60% or less of the Area Median Gross Income as that term is defined in Section 142(d) of the Code.

To encourage the development of such low-income rental units, the Board of Commissioners has established a "Special Loan Fund" from reserve funds of Rhode Island Housing from which below market rate loans can be made for developments to either fund capital costs or fund operating and debt service costs of a development.

Under the Program, Rhode Island Housing gives priority to proposals which: (a) utilize other available funding sources such as federal, state, local and private grants; (b) request less than the

maximum amount from the Special Loan Fund; (c) utilize federal tax credits in a cost-effective manner; (d) creatively respond to the needs of persons and families that are physically handicapped; (e) provide rental housing to families rather than individuals; and (f) preserve the affordability of the existing housing stock throughout the State.

Mortgage Loan Processing For Developments

Rhode Island Housing is authorized under the Act to provide financing for developments for low and moderate income persons and families, and, in providing financing, Rhode Island Housing is required to follow provisions of the Act and State and federal laws and regulations.

Rhode Island Housing's review of proposals from housing developers typically occurs through a two-stage process, preliminary and loan commitment review as described below.

The Preliminary Review Process

When a housing developer contacts Rhode Island Housing in contemplation of seeking financing for a development from Rhode Island Housing, Rhode Island Housing's Housing Development Division evaluates the suitability of the site and adequacy of the market for rental housing in the area. This review may include a preliminary financial analysis and analysis of the site characteristics, surrounding land uses, available utilities, transportation, employment and recreation opportunities, and shopping facilities.

If the preliminary review is satisfactory the developer is requested to submit a formal proposal which is evaluated by staff of Rhode Island Housing. This evaluation includes a preliminary analysis of the development costs and operating expenses, marketing and management information, schematic and preliminary drawings and site plans, information about the developer and development team and the economic feasibility of the development, including an examination of external or environmental factors of the industry which may affect the long-term viability of the development. An evaluation is also completed by Rhode Island Housing's Loan Servicing Division to determine if the proposed managing agent is qualified to manage the development in conformity with the management standards and procedures established by Rhode Island Housing. A review of the financial statements of the developer and other development team members is made to determine their financial capability. With respect to a prospective acquisition of an existing development, Rhode Island Housing also reviews prior years' financial statements and operating history of such developments. The conclusions of the preliminary evaluation are presented to the Board of Commissioners, and upon the Board's approval of the proposed development, the developer is issued a reservation letter that details the additional requirements that must be met in order for a loan commitment to be issued.

The Loan Commitment Review Process

Upon the completion of the preliminary review process, a more detailed review of all aspects of a development proposal is completed. A developer must submit working drawings and specifications, detailed operating and expense budgets, financial statements for the developer and general contractor, prior years' financial statements and operating history for the development, if applicable, and any additional documentation requested for commitment processing. Rhode Island Housing will commission an appraisal, and, if required, a market study to ensure appropriate loan to value ratio. A review of the management and marketing plan is made with attention to marketing strategies, operating budgets and affirmative marketing. Concurrently, the Housing Development Division makes a cost estimate for the development and evaluates cost projections. Once Rhode Island Housing is satisfied that all reviews are in order, a loan commitment presentation is made to the Board of Commissioners, and, if accepted, a commitment letter is issued to the mortgagor.

Initial Closing

At the initial closing of a mortgage loan, a regulatory agreement (the “Regulatory Agreement”) is executed by Rhode Island Housing and the mortgagor. The Regulatory Agreement regulates tenant eligibility and rent levels in accordance with pertinent regulations of the Program and the Code. The Regulatory Agreement also regulates management and operation of the development, and disbursement of development income.

In addition to the Regulatory Agreement, major documents executed at or before the initial loan closing include a loan agreement, mortgage note, mortgage, and security agreement. Some developments also require the execution of rental assistance contracts with either the federal or State government. A “cost plus not-to exceed” construction contract is typically executed by the mortgagor and the contractor in connection with the construction that is to be completed in a development. The loan agreement provides that upon occupancy of the development, a reserve fund for repairs and replacements will be established with Rhode Island Housing and funded monthly from rental income. In addition, the mortgagor will, at the end of the construction period, fund an operating reserve fund, or equivalent reserve acceptable to Rhode Island Housing for operating expenses.

As assurance for completion of construction, the mortgagor typically must deliver payment and performance bonds issued by a surety company acceptable to Rhode Island Housing in the amount of 100% of the construction cost under the construction contract between the mortgagor and the contractor. An acceptable alternative is a letter of credit in the amount of 25% of the construction contract amount. If the construction contract amount is greater than amounts provided therefor in Rhode Island Housing’s mortgage loan commitment, the mortgagor may be required to deposit with Rhode Island Housing additional cash or an irrevocable letter of credit in the amount of such difference. Rhode Island Housing may draw upon such amounts to fully fund construction. In addition, an agreement guaranteeing completion of the construction by a principal, or other related person or entity may be required by Rhode Island Housing. Where the acquisition of an existing development is financed under the Program and a determination is made by Rhode Island Housing that the nature of the rehabilitation work to be financed does not warrant payment and performance bonds or a letter of credit as described above, such requirements may be waived.

Construction

During construction or renovation of a development, the Development Division field inspectors make frequent on-site inspections of the progress of construction to determine compliance with the approved drawings, plans and specifications.

Upon completion of construction, Rhode Island Housing makes a final inspection to determine that (a) construction of the development has been completed in accordance with the approved plans and specifications and other terms of the mortgage loan, (b) the development has been constructed in accordance with any applicable building, housing and other codes and ordinances, and (c) the development is in good and tenantable condition. If the inspection is satisfactory, the general contractor and the mortgagor submit cost certifications of all actual costs of the construction and the development, respectively.

The construction of the developments is subject to certain Rhode Island Housing procedures and requirements. Among these are the following:

Builder’s risk property insurance in excess of the construction cost under the construction contract is obtained for each of the developments.

Rhode Island Housing conducts field inspections of construction progress for each development on a weekly or monthly basis, as necessary.

Prior to the execution of the construction contract, either (i) the general contractor for each development posts a payment and performance bond, in the amount of 100% of the construction contract, in dual obligee form (Rhode Island Housing and mortgagor), (ii) the general contractor for each development posts a letter of credit for 25% of the construction price or (iii) the developer, or a principal of the developer, provides a completion guaranty in the amount of 110% of the construction contract. Rhode Island Housing must approve the surety company selected for each development.

With respect to each development, a Construction Loan Agreement is entered into between the mortgagor and Rhode Island Housing and a construction contract approved by Rhode Island Housing is entered into between the mortgagor and the general contractor. Each such contract generally provides:

A total amount payable equal to the general contractor's estimated cost of construction;

Monthly payments to be made to the contractor by the mortgagor based upon the percentage of the work completed as work is approved by Rhode Island Housing;

A retainage of 10% of each approved construction advance which is typically held until substantial completion of construction. In certain instances, Rhode Island Housing may exercise its discretion and reduce the retainage after the development is 50% completed;

Payments due the contractor to be made only after a title insurance company, licensed to do business in the State, certifies to Rhode Island Housing in writing that the mortgage will continue to constitute a first or second lien on the development;

All change orders must receive the written approval of Rhode Island Housing;
and

Certification of the contractor's expenses to be provided to Rhode Island Housing.

Permanent Financing

Upon satisfactory completion of a final cost certification audit, the loan shifts from a construction loan to the permanent financing. Level monthly mortgage loan payments of principal and interest commence on the earlier of the first day of the month following the month in which construction is completed or the first day of the 18th month after closing in amounts sufficient to amortize the principal amount of the mortgage loan over its term, and, if applicable, FHA Mortgage Loan Insurance or any other applicable mortgage insurance policy takes effect.

Resident Selection, Marketing and Management

In addition to the Regulatory Agreement, the management of the development is governed by a Housing Management Agreement between the mortgagor, the management agent and Rhode Island Housing. Rhode Island Housing has the right to terminate the Housing Management Agreement for just cause as determined by Rhode Island Housing's Loan Servicing Division, which is responsible for establishing the standards and procedures for management of the development. Contact with the management agent is initiated by the Loan Servicing Division at the commitment stage. Prior to a loan commitment, the management agent submits a comprehensive Management Plan for the development for Rhode Island Housing's review and approval. The Plan details the form of resident lease, principles of landlord-resident relations, standards for eligibility for initial occupancy, marketing plans, affirmative marketing plans, budgets, operations reporting systems and accounting systems.

After completion of construction and occupancy, the Loan Servicing Division inspects developments and conducts no less than yearly audits of the management agent's verification of resident eligibility, development accounts, resident waiting lists, accounts payable and receivable, and development bank accounts, including all escrow and reserve accounts and generally observes all management operations. The management agent is required to submit monthly reports to the Loan Servicing Division which include information on the aging of all accounts payable and receivable for the development, a listing of all occupancies by unit size and rental rate, a summary of marketing activity for the preceding month, a cash reconciliation and budget review. Rhode Island Housing utilizes warning and exception reporting systems designed to identify potential problems at an early stage. Maintenance problems found during inspections are noted and the owners and managing agents have thirty days in which to respond to such findings and make corrections.

Prepayment of Mortgage Loans

The Mortgage Loans financed under the Program provide that the developer may voluntarily prepay such mortgage loan only with the consent of Rhode Island Housing. Rhode Island Housing has consented to the voluntary prepayment of Mortgage Loans financed under its other multi-family programs in conjunction with its Multi-Family Development Program, and Rhode Island Housing may consent to the voluntary prepayment of additional Mortgage Loans under the Program and its other multi-family programs in conjunction with the Multi-Family Development Program where prepayment will not result in a material escalation of rents charged to residents of the developments financed with such Mortgage Loans, as required by applicable statutes and regulations governing prepayment of Mortgage Loans. See "**PLAN OF FINANCING**" herein for a description of the Multi-Family Development Program. Any exercised prepayment option or voluntary prepayment of a mortgage loan could result in the redemption of Series Bonds at par as described herein under the heading "**REDEMPTION PROVISIONS—Special Redemption.**"

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The Resolution contains various covenants and security provisions certain of which are summarized below.

Contract with Bondholders

The Resolution is a contract among Rhode Island Housing, the Trustee and the holders of the Bonds and its provisions are for the equal benefit, protection and security of the holders of any and all of such Bonds each of which shall be of equal rank.

Provisions for Issuance of Bonds

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

A Bond Counsel's Opinion to the effect that the Bonds of such Series upon delivery will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Resolution;

The amount of the proceeds of such Series to be deposited in any Account held by the Trustee pursuant to the Resolution;

Except in the case of any refunding issue, a Certificate of an Authorized Officer stating that Rhode Island Housing is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; and

A Certificate of an Authorized Officer stating that the Revenues expected to be received by Rhode Island Housing from Mortgage Loans expected to be financed from amounts in the Bond Proceeds Account are estimated to be received at times and in amounts sufficient, when added to amounts otherwise available therefor, to provide for the payment of all Outstanding Bonds and the interest thereon in full.

Provisions for Refunding Issues

One or more Series of Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the pendency of such redemption and to give notice of the call for redemption of such Bonds and either (a) moneys sufficient to effect payment or redemption at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (b) direct obligations of, or obligations guaranteed by, the United States of America, or any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae (but only to the extent such obligations are guaranteed by the Government National Mortgage Association) or issued by another federal agency and backed by the full faith and credit of the United States of America, or obligations secured by such obligations through an irrevocable trust, which by their terms will provide moneys sufficient to provide for the payment when due of the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in trust under the Resolution.

Application of Bond Proceeds

As soon as practicable upon the delivery of each Series of Bonds, other than Refunding Bonds, the amount necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement so specified in the Supplemental Resolution authorizing such Bonds are required to be deposited in the Debt Service Reserve Account. The balance remaining after such deposits have been made is required to be deposited in the Bond Proceeds Account.

Deposits and Investments

Except as otherwise provided in the Resolution, moneys in any account shall be continuously invested and reinvested or deposited and redeposited by the Trustee, at the direction of an Authorized Officer, promptly confirmed in writing, in the highest yield Investment Securities that may be reasonably known, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. Rhode Island Housing may direct the Trustee to invest and reinvest the moneys in any account in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be expended. The Investment Securities purchased shall be held by the Trustee, or for its account as Trustee, and shall be deemed at all times to be part of such Account, and the Trustee shall keep Rhode Island Housing advised as to the details of all such investments. Except as otherwise expressly provided, in computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on each January 1 and July 1 and as otherwise required under the Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

Establishment of Accounts

The Resolution established the following Accounts which are to be held by the Trustee:

- (a) Bond Proceeds Account.
- (b) Revenue Account.
- (c) Redemption Account.

- (d) Debt Service Reserve Account
- (e) Rebate Account.

In addition to the foregoing accounts, Supplemental Indentures authorizing a Series of Bonds may establish additional accounts as deemed necessary or desirable by Rhode Island Housing as additional security for such Series of Bonds, and any funds on deposit in such other accounts may be pledged and held in trust, invested and disbursed by the Trustee solely for the uses and purposes therein provided.

Bond Proceeds Account

In addition to the proceeds of a Series of Bonds, Recoveries of Principal are required to be deposited in the Bond Proceeds Account established for such Series. Amounts in the Bond Proceeds Account may be expended only to finance Mortgage Loans, to pay Costs of Issuance, to make deposits in the Revenue Account representing capitalized interest, to redeem Bonds, to pay notes of Rhode Island Housing, including interest thereon, and to provide amounts for deposit in the Revenue Account upon delivery to the Trustee of a Certificate of an Authorized Officer satisfying the conditions for the issuance of Bonds.

Amounts in the Bond Proceeds Account may not be disbursed for the financing of a Mortgage Loan (except to the extent that a variance is permitted by the insurer or guarantor of any Mortgage Loan) unless, among other things:

- (a) the mortgagor has warranted generally the title to the premises, subject to Permitted Encumbrances, and has agreed to execute such further assurances as may be requisite;
- (b) the mortgagor has entered into a binding agreement with or for the benefit of Rhode Island Housing that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and that it will discharge any prior liens levied against the Premises or any part thereof, and that the mortgagor will at the request of Rhode Island Housing deliver appropriate proof of the payment of such items;
- (c) the mortgagor covenants that it will keep buildings on the premises insured against loss by fire and other hazards as required by Rhode Island Housing and that it will maintain the premises in good repair and comply with all requirements of governmental authority relating thereto; and
- (d) the mortgagor has obtained the approval of all governmental entities having jurisdiction over the proposed residential housing.

Revenue Account

All Pledged Receipts are to be deposited in the Revenue Account. On or before each Interest Payment Date the Trustee is required to pay to the Paying Agent the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date. On or before each Redemption Date or date of purchase the Trustee is required to pay the Paying Agent the amounts required for the redemption or purchase price of Bonds redeemed or purchased for retirement and accrued interest thereon, unless the accrued interest has been otherwise provided for.

The amount accumulated in the Revenue Account for each Sinking Fund Payment may be applied either (a) to the purchase of Bonds for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest, or (b) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

Upon the purchase or redemption of Bonds from amounts in the Revenue Account an amount equal to the principal amount of the Bonds so purchased or redeemed is required to be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment is to be credited against future Sinking Fund Payments in direct chronological order unless otherwise instructed in writing by an Authorized Officer.

Rhode Island Housing is permitted to direct the transfer of amounts from the Revenue Account at any time to the Bond Proceeds Account, Debt Service Reserve Account or Redemption Account, or to the general operating accounts of Rhode Island Housing for the purpose of paying Program Expenses for the then current Fiscal Year. Except for the payment of reasonable and necessary Program Expenses, no such transfer is permitted, however, unless the Debt Service Reserve Account Requirement is met and a Certificate of an Authorized Officer is delivered to the Trustee.

Redemption Account

There are to be deposited in the Redemption Account any amounts required by the General Resolution or a Supplemental Resolution to be so deposited and any other amounts available therefor and determined by Rhode Island Housing to be deposited therein. Subject to the provisions of the respective Series of Bonds and those of any Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, the Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date. At any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in any Account within the Redemption Account to the purchase of any of such Bonds, except that Rhode Island Housing may require or prohibit such purchases. The purchase price paid may not exceed the principal amount of such Bonds unless such Bonds may be redeemed within thirteen months after such purchase in which event such price shall not exceed the applicable Redemption Price. If the Trustee is able to purchase Bonds at a price less than the applicable Redemption Price, the Trustee is required to deposit in the Revenue Account the difference between such purchase price and such Redemption Price.

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund.

Payment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless a different method for crediting Sinking Fund Payments is otherwise directed by Rhode Island Housing.

Debt Service Reserve Account

There are to be deposited in the Debt Service Reserve Account all amounts required to be deposited therein pursuant to the Resolution and any other amounts received and determined by Rhode Island Housing to be deposited therein.

Amounts on deposit in the Debt Service Reserve Account are to be applied, to the extent other funds are not available therefor, to pay the Bonds when due, whether by call for redemption or otherwise. Whenever the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, the Trustee, if directed by Rhode Island Housing, is required to withdraw from the Debt Service Reserve Account the amount of such excess and deposit such amount into the Revenue Account, but only to the extent necessary to meet payments required from the Revenue Account.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Revenue Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue

Account shall be transferred to the Debt Service Reserve Account. Prior to said transfer, any Bonds constituting a part of the Revenue Account shall be deemed paid and cancelled.

Subject to any limitation in the Act, a Supplemental Resolution may provide that the Debt Service Reserve Account Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. For purposes of determining whether the Debt Service Reserve Account Requirement has been met, the amount in the Debt Service Reserve Account shall be deemed to include any amount payable thereunder on the demand of the Trustee without material conditions.

Rebate Account

There are to be deposited in the Rebate Account all amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing each Series of Bonds and any other amounts received and determined to be deposited therein by Rhode Island Housing. Amounts on deposit in the Rebate Account are to be applied in accordance with such Supplemental Resolution.

Payment of Bonds

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

Tax Covenants

Rhode Island Housing covenants that (a) it will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds (excluding certain Bonds Rhode Island Housing elects to issue as federal taxable bonds) shall, for the purposes of federal income taxation, be excludable from the gross income of the owners thereof and exempt from such taxation, except in the event that such recipient is a "substantial user" or "related person" within the meaning of Section 147(a) of the Code, (b) it will not permit at any time any of the proceeds of the Bonds or other funds of Rhode Island Housing to be used directly or indirectly to acquire any investment property, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code, and (c) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by Section 103(a) of such Code by reason of the classification of such Bond as a "private activity bond which is not a qualified bond" within the meaning of the Code. The residential housing being financed by any Mortgage Loan will be either a "qualified residential rental project" within the meaning of the Code or a residence eligible to be financed with the proceeds of "qualified mortgage bonds" within the meaning of the Code. Notwithstanding the foregoing, Rhode Island Housing may elect to issue obligations the interest on which is not exempt from federal income taxation so long as such election is made prior to the issuance of such obligations. The covenants contained in this Section shall not apply to Bonds issued pursuant to such an election.

The Program

Rhode Island Housing covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution and sound banking practices and principles, to use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance the Mortgage Loans pursuant to the Act and the Resolution, to do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans) sufficient to pay the expenses of the Program, and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of Rhode Island Housing to protect, its rights with respect to or to maintain any insurance on Mortgage Loans and to enforce all terms, covenants and

conditions of the Mortgage Loans including the collection, custody and prompt application of all Escrow Payments required by the terms of the Mortgage Loans for the purposes for which they were made.

Subject to the first paragraph of this section, whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, Rhode Island Housing shall commence foreclosure or pursue other appropriate remedies with respect to any Mortgage Loan which is in default. In the event that Rhode Island Housing shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, Rhode Island Housing may bid for and purchase the residential housing securing any such Mortgage Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such residential housing (herein in this Section called an “Acquired Development”) prior to the foreclosure of any such residential housing.

Subject to the first paragraph of this Section, Rhode Island Housing may at any time sell, assign or otherwise dispose of a Mortgage Loan (or the Acquired Development to which such Mortgage Loan relates):

- (a) in order to realize the benefits of insurance, if any, with respect to such Mortgage Loan or Acquired Development;
- (b) in order to provide funds to finance another Mortgage Loan having substantially equivalent terms as the remainder of such Mortgage Loan; or
- (c) in order to provide funds for the redemption or purchase of a principal amount of Bonds corresponding to the unpaid principal amount of such Mortgage Loan plus the unamortized portion of the Costs of Issuance and original issue discount allocable to such Mortgage Loan.

In addition, Rhode Island Housing may sell any Acquired Development if there shall be filed with the Trustee a Certificate of an Authorized Officer to the effect that, in the judgment of Rhode Island Housing, (a) the proposed sale and the terms thereof are in the best interests of the Bondholders and (b) either (i) the loss of revenues available for the payment or retirement of Bonds as a result of such sale is less than that estimated to result if the Acquired Development were not so sold or (ii) the risk of such a loss in the event that the Acquired Development is not so sold is substantial.

Accounts and Reports

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

Within 120 days after the close of each Fiscal Year, Rhode Island Housing is required to file with the Trustee a copy of an annual report as to the operations and accomplishments of Rhode Island Housing during such Fiscal Year, and financial statements for such Fiscal Year, setting forth in reasonable detail, among other things, the balance sheet for Rhode Island Housing and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year.

If at any time during any Fiscal Year there shall have occurred an Event of Default or an Event of Default shall have continued, then Rhode Island Housing shall file with the Trustee, within 45 days after the close of such Fiscal Year, a special report accompanied by an Accountant’s Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Resolution.

Budgets

Rhode Island Housing shall adopt an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than the first day of each such Fiscal Year, and file the same with the Trustee. The annual budget shall set forth for such Fiscal Year the estimated Revenues, the Principal Installments and the amount of interest due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. Rhode Island Housing at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided in the Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

Powers of Amendment

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

Events of Default

It is an "Event of Default" if: (a) Rhode Island Housing defaults in the payment of the principal or Redemption Price of any Bonds when due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made within 30 days after becoming due; or (c) Rhode Island Housing fails or refuses to comply with the provisions of the Resolution, or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default continues for a period of 90 days after written notice thereof by the Trustee or by the holders of not less than 5% in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses(a) and (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds must proceed, in its own name, subject to the Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require Rhode Island Housing to receive and collect Revenues and to carry out the covenants and agreements as to the Mortgage Loans and to require Rhode Island Housing to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require Rhode Island Housing to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by

declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling such Mortgage Loans and Investment Securities securing the Bonds.

Priority of Payment After Default

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

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

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

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

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

Compensation of Trustee

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

Defeasance

If Rhode Island Housing pays or causes to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by Rhode Island Housing of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any outstanding Bonds will, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, Rhode Island Housing has given to the Trustee in form satisfactory to it irrevocable instructions to give, as provided in the Resolution, notice of redemption on said date of such Bonds, and (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or direct obligations of, or obligations guaranteed by, the United States of America, or any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae (but only to the extent such obligations are guaranteed by the Government National Mortgage Association) or issued by another federal agency and backed by the full faith and credit of the United States of America, or obligations secured by such obligations, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

TRUSTEE

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

Pursuant to the Resolution, Rhode Island Housing agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default. Any Fiduciary may become the owner of any Bonds and coupons, with the same rights it would have if it were not a Fiduciary. Any Fiduciary may act as Depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may be an underwriter in connection with the sale of the Bonds or of any other securities offered or issued by Rhode Island Housing.

No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified.

AGREEMENT OF THE STATE

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

STATE NOT LIABLE ON BONDS

The Bonds of Rhode Island Housing shall not be in any way a debt or liability of the State or of any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation of the State or of any such political subdivision or be or constitute a pledge of the faith and credit of the

State or of any such political subdivision, but such Bonds shall be payable solely from revenues or funds of Rhode Island Housing pledged for their payment.

LEGALITY FOR INVESTMENT

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

LITIGATION

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

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Series Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing, whose approving opinion in substantially the form of **APPENDIX G** hereto will be delivered with such Series Bonds.

Certain legal matters in connection with Series Bonds are subject to the approval of Nixon Peabody LLP, Providence, Rhode Island, Issuer's Counsel to Rhode Island Housing and to the approval of Kutak Rock LLP, Atlanta, Georgia, Counsel to the Underwriters.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Rhode Island Housing, (1) under existing statutes and court decisions, (i) interest on the 2017 Series 1 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2017 Series 1-A Bond or 2017 Series 1-B Bond for any period during which such 2017 Series 1-A Bond or 2017 Series 1-B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities financed with the proceeds of the 2017 Series 1-A Bonds or 2017 Series 1-B Bonds, respectively, or a "related person" and (ii) interest on the 2017 Series 1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (2) interest on the 2017 Series 2-T and 3-T Bonds, if any, is included in gross income for Federal income tax purposes. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the Series Developers and others in connection with the 2017 Series 1 Bonds, and Bond Counsel has assumed compliance by Rhode Island Housing and the Series Developers with certain ongoing covenants to comply with applicable

requirements of the Code to assure the exclusion of interest on the 2017 Series 1 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Rhode Island Housing, pursuant to the provisions of the Act, income on the Series Bonds (including any profit on the sale thereof), is free from Rhode Island personal income taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date of the Series Bonds, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter 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 2017 Series 1 Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements Applicable to the 2017 Series 1 Bonds

The Code requires that at all times during the “qualified project period” (as defined below), each 2017 Series 1 Development financed with the proceeds of the 2017 Series 1 Bonds satisfy one of two set-aside requirements and constitutes rental property. Under these set-aside requirements, the developers of such 2017 Series 1 Developments must elect that either (a) 40% or more of the residential units in such 2017 Series 1 Developments are occupied by individuals whose income is 60% or less of area median gross income or (b) 20% or more of residential units in such 2017 Series 1 Developments are occupied by individuals whose income is 50% or less of area median gross income. Under the Code, the income of tenants of a development and area median gross income must be determined pursuant to Section 8 of the United States Housing Act of 1937, as amended. Income determinations under the Code, therefore, are subject to adjustments for family size. The “qualified project period” is defined by the Code as the period beginning on the first day upon which 10% of the units in the related development are occupied and ending on the latest of (a) the date which is 15 years after the date upon which 50% of the units in such development are first occupied, (b) the first day upon which no tax-exempt private activity bonds issued with respect to that development remain outstanding or (c) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates. The Code also requires that the low income occupancy requirement and the continuous rental requirement be continuously satisfied during the qualified project period. Determination of income qualification must be made on a continuing basis, except for a residential rental project in which all residential units in the residential rental project that become available are occupied by new residents that meet the applicable income limit. Otherwise, a tenant that is determined to be a person of low income for purposes of satisfying the low income requirement may continue to be treated as a person of low income for purposes of satisfying the income requirement so long as that tenant’s income does not increase more than 140% of the applicable income limit (as adjusted for family size). In the event that a tenant’s income increases to a level which is greater than 140% of the applicable limit (or if the tenant’s family size decreases so that a lower maximum income applies), that tenant may no longer be treated as a person of low income for purposes of satisfying the low income requirement. Thereafter, if a 2017 Series 1 Development does not otherwise satisfy the applicable occupancy requirement based on other tenants, any unit of comparable or smaller size in such 2017 Series 1 Development which subsequently becomes vacant must be rented to an income qualifying tenant until such 2017 Series 1 Development again is in compliance. The Series Developers will have a minimum of 60 days to cure any noncompliance with the income requirement.

In addition, the Code establishes certain additional requirements that must be met subsequent to the issuance and delivery of the 2017 Series 1 Bonds in order that interest on the 2017 Series 1 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2017 Series 1 Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance

with such requirements may cause interest on the 2017 Series 1 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Rhode Island Housing and the Series Developers have or will have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2017 Series 1 Bonds from gross income under Section 103 of the Code.

Rhode Island Housing's Tax Certification, which will be delivered concurrently with the delivery of the 2017 Series 1 Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. Rhode Island Housing, in executing its Tax Certification, will certify to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. Rhode Island Housing has also covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 2017 Series 1 Bonds is not included in gross income for Federal income tax purposes. In furtherance thereof, Rhode Island Housing has required the Series Developer with respect to the Series Mortgage Loans to be financed by the 2017 Series 1 Bonds to make certain covenants in the Series Mortgage Loan documents in order to satisfy the above-described requirements of applicable Federal tax law. However, no assurance can be given that in the event of a breach of any such covenants, the remedies available to Rhode Island Housing and/or owners of the 2017 Series 1 Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable Federal tax law and therefore to prevent the loss of the exclusion of interest on the 2017 Series 1 Bonds under applicable Federal tax law. Any loss of the exclusion of interest on the 2017 Series 1 Bonds may be retroactive to the delivery date of the 2017 Series 1 Bonds irrespective of when an event of noncompliance may occur or be ascertained.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2017 Series 1 Bonds. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2017 Series 1 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 2017 Series 1 Bonds.

Prospective owners of 2017 Series 1 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 certain 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 excluded from gross income for Federal income tax purposes. Interest on the 2017 Series 1 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.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2017 Series 1 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2017 Series 1 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup

withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2017 Series 1 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2017 Series 1 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2017 Series 1 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 2017 Series 1 Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel to Rhode Island Housing further is of the opinion that, for any 2017 Series 1 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2017 Series 1 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2017 Series 1 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2017 Series 1 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2017 Series 1 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Proposed Legislation and Other Matters

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 2017 Series 1 Bonds under Federal or state law or otherwise prevent beneficial owners of the 2017 Series 1 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series Bonds.

Prospective purchasers of the 2017 Series 1 Bonds should consult their own tax advisors regarding the foregoing matters.

Summary of Certain Federal Tax Requirements Applicable to the 2017 Series 2-T and 3-T Bonds

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of 2017 Series 2-T and 3-T Bonds (the “Taxable Bonds”) by original purchasers of the Taxable Bonds who are “U.S. Holders”, as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle”, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Taxable Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined de minimis amount, a holder of a Taxable Bond having a maturity of more than one year from its date of issue must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Taxable Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price.” For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Taxable Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “de minimis amount” is an amount equal to 0.25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method, subject to certain modifications.

Acquisition Discount on Short-Term Taxable Bonds

Each holder of a Taxable Bond with a maturity not longer than one year (a “Short-Term Taxable Bond”) is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method

taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Bond at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Note not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Bond Premium

In general, if a Taxable Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Taxable Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the Taxable Bond.

Rhode Island Housing may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the resolution of the Taxable Bonds (a “defeasance”). (See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” herein). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

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 Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING

The financial statements of Rhode Island Housing as of and for the years ended June 30, 2016 and 2015 are included in **APPENDIX C-1** hereto. The 2016 and 2015 financial statements have been audited by LGC&D LLP, Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. LGC&D LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has LGC&D LLP audited or reviewed Rhode Island Housing’s financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2016. Also, LGC&D has not performed any procedures relating to this Official Statement.

The unaudited financial statements of Rhode Island Housing for the six-month period ended December 31, 2016, are included in **APPENDIX C-2** hereto.

UNDERWRITING

Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., George K. Baum Company, Inc., Janney Capital Markets, Jefferies LLC, Loop Capital Markets, LLC, Oppenheimer & Co., Inc. and Roosevelt & Cross, Inc. (collectively, the “2017 Series 1 and 2-T Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the 2017 Series 1 and 2-T Bonds at the purchase prices set forth on the inside cover page hereof. The 2017 Series 1 and 2-T Underwriters will be paid a fee in connection with their purchase of the 2017 Series 1 and 2-T Bonds, in an amount of \$192,015.87. The obligation of the 2017 Series 1 and 2-T Underwriters to purchase the 2017 Series 1 and 2-T Bonds is subject to certain terms and conditions set forth in the Purchase Contract with respect to the Series Bonds. The 2017 Series 1 and 2-T Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the applicable underwriters.

Morgan Stanley & Co. LLC (the “2017 Series 3-T Underwriter”) has agreed, subject to certain conditions, to purchase the 2017 Series 3-T Bonds at the purchase price set forth on the inside cover page hereof. The 2017 Series 3-T Underwriter will be paid a fee in connection with its purchase of the 2017 Series 3-T Bonds, in an amount of \$38,983.90. The obligation of the 2017 Series 3-T Underwriter to purchase the 2017 Series 3-T Bonds is subject to certain terms and conditions set forth in the Purchase Contract with respect to the Series Bonds. The 2017 Series 3-T Bonds may be offered and sold to certain

dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the 2017 Series 3-T Underwriter.

Morgan Stanley & Co. LLC, one of the 2017 Series 1 and 2-T Underwriters and the 2017 Series 3-T Underwriter, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2017 Series 1 and 2-T Bonds and the 2017 Series 3-T Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the 2017 Series 1 and 2-T Underwriters, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, CS&Co. and LPL may purchase 2017 Series 1 and 2-T Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Series 1 and 2-T Bonds that such firm sells.

Maria Barry, an employee of an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the 2017 Series 1 and 2-T Underwriters, is a commissioner of Rhode Island Housing.

George K. Baum & Company, one of the 2017 Series 1 and 2-T Underwriters, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, have a distribution agreement enabling Pershing LLC to obtain and distribute certain municipal securities underwritten by or allocated to George K. Baum & Company. Under the distribution agreement, George K. Baum & Company will allocate a portion of received takedowns, fees or commissions to Pershing LLC for bonds sold under the agreement.

Jefferies LLC, one of the Series 1 and 2-T Underwriters, has entered into an agreement (the “Agreement”) with E*TRADE Securities LLC (“E*TRADE”) for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies LLC will sell the 2017 Series 1 and 2-T Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Loop Capital Markets LLC (“Loop Capital Markets”), one of the 2017 Series 1 and 2-T Underwriters, has entered into distribution agreements (each, a “Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS may purchase 2017 Series 1 and 2-T Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any 2017 Series 1 and 2-T Bonds that such firm sells.

The 2017 Series 3-T Underwriter and each of the 2017 Series 1 and 2-T Underwriters (together, the “Underwriters”) and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for Rhode Island Housing, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Rhode Island Housing. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or

recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Without limiting the generality of the foregoing, each of the Underwriters and their affiliates may hold bonds that Rhode Island Housing is refunding through the issuance of the 2017 Series 2-T and 3-T Bonds and, as a result, may receive proceeds from such refunding.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa2" to the Series Bonds. Any explanation of the significance of such ratings should be obtained directly from Moody's. There is no assurance that a particular rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely, if, in the judgment of the rating service, circumstances so warrant. Any downward revision or withdrawal of any such ratings will have an adverse affect on the market price of the Series Bonds.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Rhode Island Housing will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement"), a form of which is attached hereto as Appendix F, for the benefit of the holders and beneficial owners of the Series Bonds. Under this Continuing Disclosure Agreement, Rhode Island Housing will be obligated while any Series Bonds remain Outstanding to provide certain updated financial information and operating data annually, and timely notice of specified listed events, to certain information vendors.

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

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

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

In the past five years, Rhode Island Housing (1) filed certain financial and operating data with respect to its Multi-Family Development Bonds for the fiscal year ended June 30, 2012 42 days after such data was required to be filed, and such financial and operating data filing was not linked to all CUSIPs associated with the Multi-Family Development Bonds and (2) failed to make timely filings in 2014 of notices of changes in the ratings of certain insured bonds issued to finance multi-family housing projects. Rhode Island Housing supplemented its continuing disclosure filings on December 5, 2014 with respect to such insured multifamily bonds (to the extent such bonds were then still outstanding) to include such information.

MISCELLANEOUS

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

Copies of the Act, the General Resolution and the Supplemental Resolution are on file at the office of Rhode Island Housing.

The execution and delivery of this Official Statement by the Treasurer have been duly authorized by Rhode Island Housing.

RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION

/s/ Richard G. Hartley

Treasurer

DESCRIPTION OF THE DEVELOPMENTS

This Appendix A sets forth descriptions of (i) the 2017 Series 1 Developments expected to be financed with the proceeds of the 2017 Series 1 Bonds, (ii) the developments relating to the Transferred Mortgage Loans expected to be allocated to the 2017 Series 2-T Bonds upon the refunding of the Refunded Bonds and (iii) the Prior Developments financed with Mortgage Loans funded with proceeds of other series of Bonds issued under the General Resolution. The Series Bonds are secured on a parity with the other Bonds issued under the General Resolution by a pledge of the Mortgage Loans and the Revenues derived from the Mortgage Loans on the developments described in this Appendix A and all amounts held in any account under the Resolution (except the Rebate Account) including investment income thereof.

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**DESCRIPTION OF THE DEVELOPMENTS EXPECTED TO BE
FINANCED BY THE 2017 SERIES 1 BONDS**

Development Name	60 King Street	Greenwood Terrace	Prospect Heights 1
Expected Series Bond Allocation	2017 Series 1-A	2017 Series 1-A	2017 Series 1-A; 2017 Series 1-B
Mortgagor	Trinity 60 King Four LLC	Greenwood Apartments, LP	Prospect Redevelopment I Limited Partnership
Anticipated Date of Completion	12/01/18	07/30/18	01/01/19
Management Agent	Trinity Management	Property Advisory Group	WinnResidential
Location	Providence	Warwick	Pawtucket
Development Cost*	\$8,880,000	\$6,342,000	\$12,298,000
Mortgage Loan Amount	\$6,500,000 (to be repaid at construction completion)	\$4,385,000 (to be repaid at construction completion)	\$ 6,400,000 (\$4,675,000 to be repaid at construction completion)
Dwelling Units	22	53	101
Type of Units	Family	Elderly/Disabled	Family
Subsidized Units %	90%	100%	100%
Type of Subsidy Program	Low Income Housing Tax Credits	Section 8	RAD Project Based Rental Assistance*****
HAP Expiration**	Not Applicable	11/01/36	03/31/37
Mortgage Loan Maturity Date	March, 2019	February, 2019	January, 2059
Insurance	Not Applicable	Not Applicable	FHA Risk Share****
Occupancy Status***	0%; New Construction	100%	100%

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt.
** Scheduled or anticipated expiration date of Section 8 Housing Assistance Payment Contract.
*** Fully Rented means fully occupied except for normal turnover.
**** FHA Risk Share anticipated to be received upon completion of construction.
***** Project Based Rental Assistance Contract under HUD's Rental Assistance Demonstration ("RAD") program.

**CURRENT STATUS OF DEVELOPMENTS ANTICIPATED TO BE
TRANSFERRED MORTGAGE LOANS**

Development Name	Georgiaville Manor	Harris House Apartments	Hillcrest Village
Bond Issue	2007 Series A	2007 Series A	2007 Series A
Mortgagor	Georgiaville Apartments L.P.	Harris House Partners, LP	Hillcrest Preservation Associates L.P.
Date of Completion	1981	1980	1979
Management Agent	Manhattan Housing Specialists	Property Advisory Group, Inc.	Preservation Housing Management
Location	Smithfield	Cranston	Providence
Development Cost*	\$3,549,960	\$9,878,555	\$18,996,662
Mortgage Loan Amount	\$2,640,000	\$7,003,440	\$10,500,000 (1 st Mortgage) \$659,000 (2 nd Mortgage)
Outstanding Loan Balance as of 12/31/2016	\$2,501,352	\$6,439,013	\$9,906,691 (1 st Mortgage) \$425,655 (2 nd Mortgage)
Dwelling Units	54	133	130
Type of Units	Elderly	Elderly	Elderly/Disabled
Subsidized Units %	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8
HAP Expiration**	March, 2036	May, 2031	January, 2027
Mortgage Loan Maturity Date	May, 2048	May, 2043	December, 2046
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

**** Fully Rented means fully occupied except for normal turnover

**CURRENT STATUS OF DEVELOPMENTS ANTICIPATED TO BE
TRANSFERRED MORTGAGE LOANS (continued)**

Development Name	Mt. Vernon Apartments/Temple North Apartments	Mumford Manor Apartments	Riverside Village
Bond Issue	2007 Series A	2007 Series A	2007 Series A
Mortgagor	Mt. Vernon Temple Associates, Limited Partners	39 Farewell, L.P.	Riverside Village Limited Partnership
Date of Completion	2008	2008	1980
Management Agent	Property Advisory Group, Inc.	Phoenix Property Management	Valley Affordable Housing Corp.
Location	Woonsocket	Newport	Cumberland
Development Cost*	\$10,023,887	\$7,611,086	\$9,093,607
Mortgage Loan Amount	\$4,100,000 (\$500,000 was repaid at construction completion)	\$3,816,000 (\$2,316,000 was repaid at construction completion)	\$4,700,000 (\$445,000 was repaid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$3,415,960	\$1,376,789	\$4,013,291
Dwelling Units	123	34	88
Type of Units	Elderly	Elderly	Elderly/Disabled
Subsidized Units %	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8
HAP Expiration**	July, 2025	April, 2024	May, 2031
Mortgage Loan Maturity Date	May, 2048	April, 2043; Prepayment option at April, 2038	January, 2046
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

**** Fully Rented means fully occupied except for normal turnover

CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS

Development Name	Carleton Court/Westside Apartments	Coddington Point Condominiums	Colonial Village Apartments	Cornplanter Row
Bond Issue	2010 Series 1	2010 Series 1	2010 Series 1	2010 Series 1
Mortgagor	Carleton Westside Apartments, LP	EAF Newport, LLC	Colonial Village Associates, LP	Cornplanter Row, LP
Date of Completion	2010	2010	2010	2011
Management Agent	Pinnacle Property Management	Peabody Property Management	Property Advisory Group	Winn Management
Location	Providence	Newport	North Smithfield	Providence
Development Cost*	\$8,543,945	\$7,700,015	\$5,971,277	\$6,211,413
Mortgage Loan Amount	\$3,480,000	\$3,080,000 (1 st Mortgage) \$920,000 (2 nd Mortgage)	\$3,455,000	\$300,000
Outstanding Loan Balance as of 12/31/2016	\$1,986,076	\$2,142,011 (1 st Mortgage) \$887,680 (2 nd Mortgage)	\$3,215,259	\$282,032
Dwelling Units	86	32	75	36
Type of Units	Elderly/Family	Family	Elderly	Family
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Low Income Housing Tax Credits	Section 8	USDA Rural Rental Assistance	Low Income Housing Tax Credits
HAP Expiration**	Not Applicable	April, 2025	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	December, 2049	September, 2049 (1 st Mortgage) September, 2029 (2 nd Mortgage)	October, 2039	June, 2041
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	Not Applicable
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

**** Fully Rented means fully occupied except for normal turnover

**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Deerfield Apartments	Essex Village	Glenark Landing/ Ashley Court	Kings Grant
Bond Issue	2013 Series 1	2013 Series 1	2013 Series 1	2013 Series 1
Mortgagor	Deerfield Acquisition, LP	Essex Village RHF Partners, LP	Trinity Woonsocket Limited Partnership	Kings Grant RHF Partners, LP
Date of Completion	2014	2014	2014	2014
Management Agent	Property Advisory Group	Federal Management Company, Inc.	Trinity Management, LLC	Federal Management Company, Inc.
Location	North Smithfield	North Kingstown	Woonsocket	North Kingstown
Development Cost*	\$8,696,319	\$14,800,000	\$12,900,000	\$21,600,000
Mortgage Loan Amount	\$4,200,000 (\$1,170,000 was repaid at construction completion)	\$9,870,000	\$6,400,000 (\$4,900,000 was repaid at construction completion)	\$14,000,000
Outstanding Loan Balance as of 12/31/2016	\$2,939,907	\$9,674,614	\$1,466,915	\$13,722,857
Dwelling Units	80	108	89	156
Type of Units	Elderly/Disabled	Elderly	Family	Family
Subsidized Units %	100%	100%	100%	66%
Type of Subsidy Program	USDA Rural Rental Assistance	Section 8	None	Section 8
HAP Expiration**	Not Applicable	November, 2032	Not Applicable	March, 2032
Mortgage Loan Maturity Date	February, 2044	April, 2049	April, 2044	April, 2049
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

**** Fully Rented means fully occupied except for normal turnover

**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Riverstone Apartments	Berkeley Village	Centennial Towers	DeAngelis Manor I
Bond Issue	2013 Series 1	2013 Series 2	2013 Series 2	2013 Series 2
Mortgagor	Riverstone Apartments, LP	Woodward Street Limited Partnership	Subsidized Properties III, LP	825 Housing, LP
Date of Completion	2014	2003	1977	1978
Management Agent	Phoenix Property Management	Pinnacle Property Management	National Investments, Ltd.	Goluses & Co.
Location	Pawtucket	Cumberland	Pawtucket	West Warwick
Development Cost*	\$13,520,000	\$4,273,292	\$3,694,276	\$3,739,223
Mortgage Loan Amount	\$7,800,000 (\$2,300,000 was repaid at construction completion)	\$2,511,876	\$1,927,000	\$2,440,000
Outstanding Loan Balance as of 12/31/2016	\$5,349,130	\$1,136,671	\$1,415,034	\$1,852,304
Dwelling Units	103	30	101	96
Type of Units	Elderly	Family	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration**	December, 2032	April, 2024	March, 2037	November, 2033
Mortgage Loan Maturity Date	April, 2044	August, 2035	October, 2031	April, 2032
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Devan Manor	Evergreen Drive	Hagan Manor	Mineral Spring Gardens
Bond Issue	2013 Series 2	2013 Series 2	2013 Series 2	2013 Series 2
Mortgagor	Devan Manor Associates	Subsidized Properties II, LP	Hagan Manor Associates	Mineral Spring Gardens Limited Partnership
Date of Completion	1980	1978	1984	1980
Management Agent	Unified Management Trust, LLC	National Investments, Ltd	Ferland Property Management	North Dartmouth Properties, Inc.
Location	Cranston	East Providence	Providence	North Providence
Development Cost*	\$6,374,000	\$4,609,329	\$4,692,218	\$6,347,084
Mortgage Loan Amount	\$4,040,000	\$2,340,000	\$2,498,599	\$4,297,500
Outstanding Loan Balance as of 12/31/2016	\$2,904,288	\$1,717,014	\$1,970,926	\$3,374,037
Dwelling Units	127	84	80	139
Type of Units	Elderly	Family	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration**	September, 2020	September, 2020	July, 2029	March, 2031
Mortgage Loan Maturity Date	July, 2034	October, 2031	August, 2033	November, 2033
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Olney Towers	Parkway Towers	Rumford Towers I & II	Spring Villa
Bond Issue	2013 Series 2	2013 Series 2	2013 Series 2	2013 Series 2
Mortgagor	Omni Olney Limited Partnership	Parkway Apartments LP	Rumford Apartments, L.P.	Omni Spring Villa Limited Partnership
Date of Completion	1973	1978	1980	1973
Management Agent	Winn Management	Ferland Property Management	Ferland Property Management	Winn Management
Location	Providence	East Providence	East Providence	North Providence
Development Cost*	\$7,640,692	\$4,456,496	\$23,957,872	\$5,282,835
Mortgage Loan Amount	\$3,993,767	\$3,159,628	\$12,500,000	\$3,602,432
Outstanding Loan Balance as of 12/31/2016	\$3,449,818	\$2,363,976	\$10,617,324	\$2,856,355
Dwelling Units	154	104	294	100
Type of Units	Elderly	Elderly	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8, Section 236	Section 8	Section 8	Section 8, Section 236
HAP Expiration**	June, 2023	July, 2023	May, 2025	June, 2023
Mortgage Loan Maturity Date	July, 2033	January, 2032	August, 2036	July, 2033
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	The Elms	Waterview Apartments	Mt. Hope Court	Veterans for Tomorrow
Bond Issue	2013 Series 2	2013 Series 2	2013 Series 3-A (construction); 2013 Series 3-B	2013 Series 3-A
Mortgagor	Subsidized Properties I, LP	Omni Privilege Limited Partnership	Mt. Hope Court Associates, LP	Veterans for Tomorrow, LLC
Date of Completion	1979	1973	2014	2014
Management Agent	National Investments, Ltd	Winn Management	Cornell Management, Inc.	Phoenix Property Management
Location	West Warwick	Woonsocket	Providence	Providence
Development Cost*	\$5,395,882	\$4,680,351	\$5,374,065	\$4,831,289
Mortgage Loan Amount	\$3,100,000	\$2,505,745	\$2,750,0000 (\$250,000 was repaid at construction completion)	\$2,600,000 (to be paid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$2,291,875	\$1,967,164	\$2,457,342	\$275,000
Dwelling Units	120	100	36	20
Type of Units	Family	Elderly	Family	Homeless Veterans
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8, Section 236	Section 8	Section 8 and Veterans Affairs Supportive Housing
HAP Expiration**	March, 2019	June, 2023	July, 2033	15 years from completion
Mortgage Loan Maturity Date	October, 2030	November, 2033	December, 2049	December, 2016
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	Not Applicable
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Saint Elizabeth Place	Beachwood Apartments	Blackstone Falls	Fifty Washington Square
Bond Issue	2013 Series 3-C	2013 Series 3-D	2013 Series 3-D	2013 Series 3-D
Mortgagor	Saint Elizabeth Assisted Living, Inc.	Beachwood Preservation Assoc. L.P.	Blackstone Falls Associates, LLC	Fifty Square L.P.
Date of Completion	1984	1978	1978	2006
Management Agent	Saint Elizabeth Community	POAH Communities	Shoreline Corp.	Phoenix Property Management
Location	Providence	Narragansett	Central Falls	Newport
Development Cost*	\$7,968,013	\$7,688,140	\$6,724,397	\$9,757,174
Mortgage Loan Amount	\$6,750,000 (1 st Mortgage) \$800,000 (2 nd Mortgage)	\$3,867,178	\$4,833,000	\$5,000,000 (\$4,000,000 was repaid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$5,757,626 (1 st Mortgage) \$634,910 (2 nd Mortgage)	\$3,574,096	\$4,460,286	\$844,443
Dwelling Units	149	56	133	93
Type of Units	Elderly	Elderly	Elderly	Non-Elderly, Disabled
Subsidized Units %	100%	100%	99%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration**	December, 2023	December, 2024	April, 2025	August, 2018
Mortgage Loan Maturity Date	March, 2037	December, 2044	January, 2045	June, 2036
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Newport Heights 2B	Redfern Grove	South Winds Apartments	Cranberry Pond
Bond Issue	2013 Series 3-D	2013 Series 3-D	2013 Series 3-D	2013 Series 4-T
Mortgagor	Trinity Newport Four Phase Two Limited Partnership	1363 Smith Street L.P.	Southwinds Preservation Associations Limited Partnership	Ferland Corp.
Date of Completion	2006	1981	1980	1978
Management Agent	Trinity Management, LLC	Craig Management Co.	POAH Communities	Ferland Property Management
Location	Newport	East Providence	Narragansett	Warwick
Development Cost*	\$12,300,000	\$3,642,724	\$6,679,620	\$5,946,731
Mortgage Loan Amount	\$6,100,000 (\$5,300,000 was repaid at construction completion)	\$3,195,100	\$3,300,000 (\$300,000 of which was 1 year bridge loan)	\$4,900,000
Outstanding Loan Balance as of 12/31/2016	\$755,265	\$2,753,758	\$2,763,324	\$4,650,490
Dwelling Units	47	72	48	97
Type of Units	Family	Elderly	Elderly/Disabled	Elderly/Disabled
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8 and Public Housing Authority Annual Contribution Contract	Section 8	Section 8	Section 8
HAP Expiration**	December, 2030	May, 2031	May, 2024	September, 2024
Mortgage Loan Maturity Date	February, 2047	January, 2037	May, 2044	May, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Cranston Commons	Northern Plaza	Phoenix Apartments	Maple Gardens I
Bond Issue	2013 Series 4-T	2013 Series 4-T	2013 Series 4-T	Not Applicable
Mortgagor	1303 Elmwood Associates Limited Partnership	Northern Plaza Associates	Phoenix Apartments, L.P.	Maple Gardens, LLC
Date of Completion	2012	2010	2014	1970
Management Agent	Phoenix Property Management	United Management Trust, LLC	Winn Residential	Winn Management
Location	Cranston	Pawtucket	Providence	North Providence
Development Cost*	\$1,890,873	\$5,721,000	\$20,925,000	\$4,548,849
Mortgage Loan Amount	\$975,000	\$2,500,000	\$1,700,000	\$2,419,445
Outstanding Loan Balance as of 12/31/2016	\$958,491	\$2,429,430	\$1,670,410	\$2,286,478
Dwelling Units	19	100	83	90
Type of Units	Family	Elderly/Disabled	Family	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration**	August, 2023	January, 2035	November, 2032	June, 2033
Mortgage Loan Maturity Date	September, 2052	August, 2050	February, 2043	November, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Includes costs of acquisition, rehabilitation and payment in full of all prior outstanding project debt

** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

*** FHA Risk Share covers only 1st Mortgages, as applicable

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Newport Heights 2A	Geneva Plaza	Lonsdale Senior Housing	Newport Heights 3B
Bond Issue	Not Applicable	2014 Series 2-T	2014 Series 2-T	2014 Series 2-T
Mortgagor	Trinity Newport Phase Two Limited Partnership	Geneva Apartments L.P.	Lonsdale Apartments, L.P.	Trinity Newport Four Phase Three L.P.
Date of Completion	2006	1983	1978	December, 2006
Management Agent	Trinity Management, LLC	Ferland Property Management	Ferland Property Management	Trinity Management, LLC
Location	Newport	Pawtucket	Pawtucket	Newport
Development Cost*	\$19,927,000	\$9,559,124	\$8,519,201	\$9,211,487
Mortgage Loan Amount	\$1,210,000	\$8,200,000	\$5,789,000	\$5,000,000 (\$4,747,000 was repaid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$1,158,476	\$7,115,810	\$4,967,038	\$235,969
Dwelling Units	100	149	131	27
Type of Units	Family	Elderly	Elderly	Family
Subsidized Units %	78%	100%	100%	85%
Type of Subsidy Program	Section 8 and Public Housing Authority Annual Contribution Contract	Section 8	Section 8	ACC/Section 8
HAP Expiration**	Not Applicable	April, 2033	May, 2031	HAP covers 3 units; January, 2032
Mortgage Loan Maturity Date	June, 2047	April, 2037	March, 2037	June, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Riverside House	Water's Edge (f/k/a Driftwood Apartments)	Maple Gardens II	Williams Woods Place
Bond Issue	2014 Series 2-T	2014 Series 2-T	2014 Series 2-T	2014 Series 2-T
Mortgagor	Willett/Riverside L.P.	POAH Driftwood Apartments, LLC	Maple Housing Group	Williams Woods Limited Partnership
Date of Completion	1983	1971	2007	2007
Management Agent	Craig Management	POAH Communities	Ferland Property Management	Winn Management
Location	East Providence	Narragansett	North Providence	Providence
Development Cost*	\$2,878,926	\$5,704,835	\$4,520,869	\$14,067,500
Mortgage Loan Amount	\$2,495,000	\$2,900,000 (1 st Mortgage) (\$1,015,154 was repaid at construction completion) \$210,154 (2 nd Mortgage)	\$1,741,007 (1 st Mortgage) \$2,308,993 (2 nd Mortgage)	\$2,738,000
Outstanding Loan Balance as of 12/31/2016	\$2,162,825	\$1,753,615 (1 st Mortgage) \$195,694 (2 nd Mortgage)	\$1,669,858 (1 st Mortgage) \$2,178,557 (2 nd Mortgage)	\$2,590,269
Dwelling Units	55	32	90	65
Type of Units	Elderly/Disabled	Family	Elderly	Family
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	LIHTC
HAP Expiration**	October, 2033	September, 2025	November, 2024	Not Applicable
Mortgage Loan Maturity Date	March, 2037	May, 2047	January, 2048	August, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Charlesgate Park	Charlesgate East	Charlesgate South	Cherry Briggs
Bond Issue	2014 Series 3	2014 Series 3	2014 Series 3	2016 Series 1-A; 2016 Series 2-B
Mortgagor	Charlesgate Park Apartments Limited Partnership	Charlesgate East Apartments Limited Partnership	Charlesgate South Apartments Limited Partnership	Cherry Briggs Preservation Limited Partnership
Date of Completion	April, 2016	April, 2016	April, 2016	June, 2017
Management Agent	Davenport Associates	Davenport Associates	Davenport Associates	POAH Communities
Location	Providence	Providence	Providence	Providence and Johnston
Development Cost*	\$11,836,054	\$11,235,409	\$10,221,572	\$25,735,000
Mortgage Loan Amount	\$6,000,000 (\$1,900,000 was repaid at construction completion)	\$6,000,000	\$5,200,000 (\$200,000 to be paid at construction completion)	\$14,200,000 (\$3,500,000 to be paid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$4,085,760	\$5,975,928	\$4,986,257	\$14,200,000
Dwelling Units	100	100	100	160
Type of Units	Elderly	Elderly	Elderly	Elderly/Disabled
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration**	June, 2018	May, 2019	December, 2031	May, 2035 and September, 2035
Mortgage Loan Maturity Date	March, 2046	March, 2046	March, 2051	June, 2057
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share (upon construction completion)
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Pierce Manor	RTV II	Hillside Village	Omni Friendship
Bond Issue	2016 Series 1-A; 2016 Series 2-B	2016 Series 1-A	2016 Series 1-C	2016 Series 1-C
Mortgagor	Pierce Manor Associates Limited Partnership	Reclaiming the Vision II, LP	Hillside Preservation Associates Limited Partnership	Omni Friendship L.P.
Date of Completion	June, 2017	December, 2016	1991	1989
Management Agent	Cornell Management, Inc.	Maloney Property Management	POAH Communities	Winn Management
Location	Providence	Woonsocket	Providence	Providence
Development Cost*	\$14,793,400	\$13,374,000	\$7,333,417	\$4,978,374
Mortgage Loan Amount	\$9,000,000 (\$2,800,000 to be paid at construction completion)	\$6,900,0000 (to be paid at construction completion)	\$3,413,000	\$2,500,000 (\$2,050,000 was repaid at construction completion)
Outstanding Loan Balance as of 12/31/2016	\$9,000,000	\$6,900,000	\$3,197,568	\$425,025
Dwelling Units	88	63	42	51
Type of Units	Elderly/Disabled	Family/Disabled	Family	Family
Subsidized Units %	100%	13.00%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	LIHTC
HAP Expiration**	July, 2032	August, 2036	November, 2026	Not Applicable
Mortgage Loan Maturity Date	June, 2057	January, 2017	July, 2047	November, 2047
Insurance***	FHA Risk Share (upon construction completion)	Not Applicable	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	90%	Fully Rented	Fully Rented

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** Scheduled expiration date of Section 8 Housing Assistance Payment Contract

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**CURRENT STATUS OF DEVELOPMENTS FINANCED BY OUTSTANDING BONDS
(continued)**

Development Name	Pocasset Manor	River Edge Village	Wickford Village
Bond Issue	2016 Series 1-C	2016 Series 1-C	2016 Series 1-C
Mortgagor	Pocasset Preservation Associates Limited Partnership	Manton/River Associates, L.P.	Wickford Village Realty, L.P.
Date of Completion	1982	1980	1976
Management Agent	POAH Communities	Cornell Management Corp.	North Dartmouth Properties, Inc.
Location	Providence	Providence	North Kingstown
Development Cost*	\$18,684,418	\$6,122,850	\$13,927,939
Mortgage Loan Amount	\$7,800,000 (\$2,463,000 was repaid at construction completion)	\$3,130,000	\$8,266,794
Outstanding Loan Balance as of 12/31/2016	\$5,031,478	\$2,836,497	\$7,852,382
Dwelling Units	82	99	129
Type of Units	Elderly	Elderly	Family
Subsidized Units %	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8
HAP Expiration**	November, 2026	July, 2026	June, 2026
Mortgage Loan Maturity Date	November, 2047	March, 2042	November, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented

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- ** Scheduled expiration date of Section 8 Housing Assistance Payment Contract
- *** FHA Risk Share covers only 1st Mortgages, as applicable
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**SUMMARY OF OUTSTANDING BOND INDEBTEDNESS
OF RHODE ISLAND HOUSING**

The following table sets forth the original and outstanding amounts of the Rhode Island Housing's bonds as of December 31, 2016:

	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Homeownership Opportunity Bonds			
Series 10-A	09/01/1992	153,270,000	1,000,000
Series 15-A	05/01/1994	51,000,000	500,000
Series 46-T	03/18/2004	15,000,000	15,000,000
Series 48-T	12/09/2004	15,000,000	15,000,000
Series 57-A	09/13/2007	13,410,000	1,390,000
Series 57-B	09/13/2007	56,590,000	1,655,000
Series 58-A	11/15/2007	62,620,000	7,955,000
Series 59-A	03/20/2008	23,285,000	4,055,000
Series 61-A	06/06/2012	15,000,000	12,265,000
Series 61-B	06/06/2012	10,000,000	6,975,000
Series 61-C	06/06/2012	37,900,000	22,845,000
Series 62-A	07/03/2012	10,260,000	5,770,000
Series 62-B	07/03/2012	15,000,000	15,000,000
Series 62-C	07/03/2012	60,355,000	30,530,000
Series 63-A	10/25/2012	19,655,000	13,390,000
Series 63-B	10/25/2012	4,000,000	2,065,000
Series 63-C	10/25/2012	16,295,000	12,080,000
Series 63-T	10/31/2012	25,000,000	23,220,000
Series 64-T	12/19/2013	84,195,000	47,060,000
Series 65-T	10/30/2014	86,505,000	75,595,000
Series 66-A1	07/08/2015	26,370,000	23,070,000
Series 66-A2	07/08/2015	10,385,000	7,390,000
Series 66-B	07/22/2015	15,000,000	15,000,000
Series 66-C2	07/08/2015	22,225,000	21,205,000
Series 67-A	05/16/2016	5,610,000	5,610,000
Series 67-B	05/16/2016	11,650,000	11,020,000
Series 67-C	05/16/2016	35,405,000	34,705,000
Series 68-A	10/14/2016	3,375,000	3,375,000
Series 68-B	10/14/2016	40,000,000	40,000,000
Series 68-C	10/14/2016	149,730,000	149,730,000
Unamortized bond premium			7,525,744
		\$ 1,094,090,000	\$ 631,980,744
Home Funding Bonds and Notes:			
Series 1-A	12/23/2009	\$ 30,000,000	\$ 7,010,000
Series 2, Subseries 2-A	12/21/2009	\$ 30,000,000	\$ 20,085,000
Series 2, Subseries 2-B	12/21/2009	\$ 21,000,000	\$ 16,880,000
Series 2, Subseries 2-C	12/21/2009	\$ 32,000,000	\$ 28,280,000
Series 3	11/04/2010	\$ 20,000,000	\$ 10,460,000
Series 4	09/29/2011	\$ 14,000,000	\$ 8,645,000
Series 5	12/20/2012	\$ 39,840,000	\$ 29,435,000
Unamortized bond premium			565,485
		\$ 186,840,000	\$ 121,360,485
Multi-Family Housing Bonds			
1995 Series A	05/15/1995	147,535,000	140,000
1998 Series A	04/01/1998	4,510,000	245,000
		\$ 152,045,000	\$ 385,000

	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Housing Bonds			
2001 Series B-2T	12/13/2001	18,605,000	3,200,000
2003 Series A-2T	03/12/2003	26,660,000	19,150,000
2003 Series B-2T	08/20/2003	16,435,000	8,515,000
2007 Series A-1	05/10/2007	35,775,000	28,750,000
2007 Series B-1A	12/20/2007	45,560,000	230,000
Unamortized bond discount			(93,742)
		<u>\$ 143,035,000</u>	<u>\$ 59,751,258</u>
Multi-Family Funding Bonds			
Series 2009A, Subseries 2009A-1	12/21/2009	\$ 51,000,000	\$ 51,000,000
Series 2009A, Subseries 2009A-2	12/21/2009	\$ 65,100,000	\$ 14,100,000
Series 2010A	12/16/2010	\$ 21,310,000	\$ 18,810,000
Series 2011A	12/08/2011	\$ 5,040,000	\$ 4,490,000
		<u>\$ 142,450,000</u>	<u>\$ 88,400,000</u>
Multi-Family Development Bonds			
2010 Series 1	12/22/2010	\$ 11,235,000	\$ 775,000
2013 Series 1-AB	02/20/2013	\$ 43,520,000	\$ 34,220,000
2013 Series 2-T	02/20/2013	\$ 55,760,000	\$ 50,330,000
2013 Series 3-B-D	12/24/2013	\$ 31,505,000	\$ 26,915,000
2013 Series 4-T	12/24/2013	\$ 8,370,000	\$ 2,325,000
2014 Series 2-T	12/30/2014	\$ 18,930,000	\$ 16,695,000
2014 Series 3-A	01/29/2015	\$ 2,100,000	\$ 1,690,000
2014 Series 3-B	01/29/2015	\$ 15,700,000	\$ 15,650,000
2016 Series 1-A	3/31/2016	\$ 13,200,000	\$ 13,200,000
2016 Series 1-B	3/31/2016	\$ 16,900,000	\$ 16,900,000
2016 Series 1-C	3/31/2016	\$ 19,625,000	\$ 19,505,000
Unamortized bond discount			(40,606)
		<u>\$ 236,845,000</u>	<u>\$ 198,164,394</u>
Multi-Family Mortgage Revenue Bonds			
2006 Series (University Heights Project)	03/31/2006	\$ 26,700,000	\$ 26,700,000
2006 Series (Sutterfield Project)	03/31/2006	\$ 7,000,000	\$ 7,000,000
2006 Series (The Groves)	09/21/2006	\$ 35,000,000	\$ 28,350,000
2015 Series (Charles Place)	03/31/2015	\$ 26,010,000	\$ 25,441,357
2016 Series (EPN)	5/25/2016	\$ 12,724,909	\$ 18,843,399
		<u>\$ 107,434,909</u>	<u>\$ 106,334,756</u>
General Obligation Bonds Series 2013			
General Obligation Bonds Series 2013	11/01/2013	\$ 5,000,000	\$ 5,000,000
Total		\$ 2,067,739,909	\$ 1,211,376,637

APPENDIX C-1

**AUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**Financial Statements and Supplementary Information
For the Years Ended June 30, 2016 and 2015**



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

Financial Statements and Supplementary Information
Years Ended June 30, 2016 and 2015

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements:	
Combining Statements of Net Position	10
Combining Statements of Revenues, Expenses and Changes in Net Position	12
Combining Statements of Cash Flows	14
Statements of Fiduciary Net Position – Private Purpose Trust Component Unit	18
Statements of Changes in Fiduciary Net Position – Private Purpose Trust Component Unit	19
Notes to Financial Statements	20
Supplementary Schedules:	
Required Supplementary Information - Schedule of Funding Progress (Retiree Health Care Benefit Plan)	54
Combining Statements of Net Position – Single-Family Fund	55
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund	57
Combining Statements of Net Position - Multi-Family Fund	59
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund	62



Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (Rhode Island Housing), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2016 and 2015, which collectively comprise Rhode Island Housing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

A Limited Liability Partnership

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Independent Auditors' Report

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis presented on pages 4 through 9 and the Schedule of Funding Progress presented on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

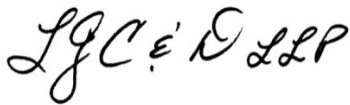
Independent Auditors' Report (Continued)

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhode Island Housing's basic financial statements. The combining information on pages 55 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Providence, Rhode Island
September 29, 2016

Management's Discussion and Analysis

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

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2016 and 2015 and for the years then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the years ended June 30, 2016 and 2015 increased (decreased) from the previous year as follows:

	2016		2015	
	\$	%	\$	%
Mortgage loans, gross	(10.2)	(0.6)	(43.7)	(2.7)
Investments	(14.5)	(6.2)	(23.8)	(9.2)
Cash and cash equivalents	12.2	6.9	(30.9)	(14.9)
Total assets	(19.4)	(1.0)	(102.5)	(4.8)
Bonds and notes payable	(26.9)	(2.0)	(95.1)	(6.6)
Total net position	7.0	2.4	2.0	0.7
Total revenues	10.5	9.8	(1.6)	(1.4)
Total expenses	5.4	5.2	2.1	2.0
Operating income	5.1	255.9	(3.7)	(65.0)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$53.0 million. Multi-family new loan production increased by \$16.8 million and Operating Fund loans increased \$26.0 million due mainly to an increase in multi-family loans in the operating fund.

Bonds and notes payable, the largest component of liabilities, decreased by \$26.9 million in 2016. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

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

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

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

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

Operating Activity of the Corporation

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

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

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

For the Years Ended June 30, 2015 and 2014 (in thousands)

	2015	2014	% Change
Revenues:			
Interest income on loans	\$ 71,503	\$ 74,735	(4.3)%
Earnings on investments	7,493	7,791	(3.8)
Gain on sale of loans	7,442	4,044	84.0
Federal grant revenue	12,838	12,385	3.7
Other	10,625	8,959	18.6
Total revenues	109,901	107,914	1.8
Expenses:			
Interest expense	47,639	53,025	(10.2)
Provision for loan losses	11,126	9,456	17.7
REO expenditures	4,070	2,718	49.7
Bond issuance costs	866	1,067	(18.9)
Operating expenses	21,484	18,120	18.6
Federal grant expense	12,079	11,760	2.7
Other	7,828	6,844	14.4
Total expenses	105,092	102,990	2.0
Operating income, before adjusting investments to fair value	\$ 4,809	\$ 4,924	(2.4)%

Operating income (loss), after adjusting investments to fair value, was \$7.0 million for the year ended June 30, 2016 (2016), \$2.0 million for the year ended June 30, 2015 (2015) and \$5.6 million for the year ended June 30, 2014 (2014). GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$0.4 million in 2016 compared to a decrease in operating income of \$2.8 million in 2015, and an increase of \$720 thousand in 2014. Operating income, excluding the unrealized gains and losses on investments, increased 54.8% in 2016 to \$7.4 million from \$4.8 million in 2015, primarily due to increased gain on sale of loans and decrease in interest expense and loan losses.

Gain on sale of loans was \$12.2 million for the year ended June 30, 2016, \$7.4 million for the year ended June 30, 2015 and \$4.0 million for the year ended June 30, 2014. The increases are a result of an increase in loan production.

Other revenue consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$24.1 million for the year ended June 30, 2016, an increase of 12.3% from \$21.5 million for the year ended June 30, 2015, which had increased 18.6% from \$18.1 million in 2014.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses decreased 47.7% to \$2.1 million for the year ended June 30, 2016 from \$4.1 million in 2015, which had increased 49.7% from \$2.7 million in 2014. The decrease in 2016 is due primarily to a decrease in the amount of time properties are held prior to sale.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income remained consistent at \$31.4 million when compared to 2015. Interest income on loans decreased \$2.2 million in 2016 compared to a decrease of \$3.2 million in 2015. Earnings on investments decreased \$1.4 million in 2016 after a decrease of \$300 thousand in 2015. Net interest income as a percentage of average bonds and notes payable was 2.34% in 2016 and 2.24% in 2015, respectively. Interest income on loans as a percentage of total loans decreased from 4.40% in 2015 to 4.34% in 2016, due to a decrease in mortgage rates, while interest expense on bonds and notes decreased from 3.4% to 3.28%. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from 1.00% in 2015 to 1.05% in 2016. This is the result of various bond refundings and continued lower rates on new loans.

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

The provision for loan losses decreased from \$11.1 million in 2015 to \$8.6 million in 2016 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

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

Financial Analysis of the Corporation

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

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

June 30, 2015 and 2014 (in millions)			
	2015	2014	% Change
Loans receivable, net	\$ 1,569	\$ 1,617	(3.0)%
Investments	234	257	(9.2)
Cash and cash equivalents	176	207	(14.9)
Other assets	44	44	-
Total assets	2,023	2,125	(4.8)
Deferred outflows of resources	1	1	-
Bonds and notes payable	1,353	1,449	(6.6)
Other liabilities	377	386	(2.4)
Total liabilities	1,730	1,835	(5.7)
Net position:			
Net investment in capital assets	8	8	-
Restricted	196	211	(7.1)
Unrestricted	90	72	23.2

During the year ended June 30, 2016, total assets of the Corporation decreased 1.0% from 2015, as compared to a 4.8% decrease from 2014 to 2015. Net loans receivable decreased \$14 million, or 0.9%, from the previous year. This decrease in loans is attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby the majority of new loans are sold. Bonds and notes payable totaled \$1.33 billion as of June 30, 2016, a decrease of \$27 million or 2.0% from June 30, 2015, which had decreased \$95 million or 6.6% from June 30, 2014.

During 2016, the Corporation issued \$127.7 million of bonds to refund existing single-family bonds as well as to finance new loan production and \$49.7 million to refund existing multi-family bonds as well as to finance new loan production. In addition, \$192.1 million of single-family bonds and \$31.9 million of multi-family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

As of June 30, 2016 and June 30, 2015, the net position-to-asset ratio was 15.0% and 14.5%, respectively, and the loan-to-asset ratio was 77.6% for both years. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2016 and 2015, single-family residential mortgages in bond resolutions totaled \$716 million and \$769 million, respectively, and multi-family loans in bond resolutions totaled \$471 million and \$454 million, respectively.

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

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

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island have a direct impact on the Corporation's delinquency experience within its portfolio. The Rhode Island unemployment rate decreased from 5.9% in 2015 to 5.5% in 2016. In line with the decrease in the unemployment rate, the Corporation has experienced a decrease in its 90+ delinquency rate from 2.09% in 2015 to 1.80% in 2016.

Requests for Information

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

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	2015	2016	2015
Assets				
Loans receivable	\$ 371,383,923	\$ 348,564,706	\$ 715,972,529	\$ 768,993,951
Less allowance for loan losses	(27,000,000)	(21,500,000)	(11,000,000)	(12,500,000)
Loans receivable, net	<u>344,383,923</u>	<u>327,064,706</u>	<u>704,972,529</u>	<u>756,493,951</u>
Loans held for sale	34,582,134	31,386,125	-	-
Investments	97,475,827	97,985,906	97,734,139	111,631,620
Accrued interest-loans	482,839	449,179	2,511,414	2,739,460
Accrued interest-investments	20,004	20,249	343,561	397,770
Cash and cash equivalents	65,766,246	55,538,749	63,693,596	71,536,977
Accounts receivable, net	13,339,567	13,399,946	-	-
Other assets, net	12,374,705	10,081,750	10,531,558	15,347,482
Interfund receivable (payable)	2,706,637	4,177,105	(106,637)	122,895
Total assets	<u>571,131,882</u>	<u>540,103,715</u>	<u>879,680,160</u>	<u>958,270,155</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	5,014	5,271
Hedging instruments	2,896,945	1,237,735	-	-
Total deferred outflows of resources	<u>2,896,945</u>	<u>1,237,735</u>	<u>5,014</u>	<u>5,271</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 574,028,827</u>	<u>\$ 541,341,450</u>	<u>\$ 879,685,174</u>	<u>\$ 958,275,426</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 114,716,568	\$ 84,272,120	\$ 741,966,916	\$ 821,504,635
Accrued interest payable on bonds and notes	204,319	124,909	6,335,039	7,399,435
Accounts payable and accrued liabilities	7,406,435	7,752,331	-	181,722
Fees, net	1,272,617	1,424,756	188,415	209,124
Escrow deposits	356,195,147	345,590,836	-	-
Total liabilities	<u>479,795,086</u>	<u>439,164,952</u>	<u>748,490,370</u>	<u>829,294,916</u>
Net Position				
Net investment in capital assets	8,701,438	8,186,935	-	-
Restricted by bond resolutions	5,710,537	4,769,283	131,194,804	128,980,510
Unrestricted	79,821,766	89,220,280	-	-
Total net position	<u>94,233,741</u>	<u>102,176,498</u>	<u>131,194,804</u>	<u>128,980,510</u>
Total Liabilities and Net Position	<u>\$ 574,028,827</u>	<u>\$ 541,341,450</u>	<u>\$ 879,685,174</u>	<u>\$ 958,275,426</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2016 and 2015

	Multi-Family Fund		Total	
	2016	2015	2016	2015
Assets				
Loans receivable	\$ 470,552,069	\$ 453,759,164	\$ 1,557,908,521	\$ 1,571,317,821
Less allowance for loan losses	-	-	(38,000,000)	(34,000,000)
Loans receivable, net	<u>470,552,069</u>	<u>453,759,164</u>	<u>1,519,908,521</u>	<u>1,537,317,821</u>
Loans held for sale	-	-	34,582,134	31,386,125
Investments	23,938,473	24,002,467	219,148,439	233,619,993
Accrued interest-loans	2,100,042	2,109,395	5,094,295	5,298,034
Accrued interest-investments	79,852	74,031	443,417	492,050
Cash and cash equivalents	58,526,796	48,760,450	187,986,638	175,836,176
Accounts receivable, net	-	39,277	13,339,567	13,439,223
Other assets, net	-	-	22,906,263	25,429,232
Interfund receivable (payable)	(2,600,000)	(4,300,000)	-	-
Total assets	<u>552,597,232</u>	<u>524,444,784</u>	<u>2,003,409,274</u>	<u>2,022,818,654</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	5,014	5,271
Hedging instruments	-	-	2,896,945	1,237,735
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>2,901,959</u>	<u>1,243,006</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 552,597,232</u>	<u>\$ 524,444,784</u>	<u>\$ 2,006,311,233</u>	<u>\$ 2,024,061,660</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 469,878,570	\$ 447,716,239	\$ 1,326,562,054	\$ 1,353,492,994
Accrued interest payable on bonds and notes	3,307,315	3,075,341	9,846,673	10,599,685
Accounts payable and accrued liabilities	516,028	843,576	7,922,463	8,777,629
Fees, net	-	-	1,461,032	1,633,880
Escrow deposits	3,722,587	10,390,201	359,917,734	355,981,037
Total liabilities	<u>477,424,500</u>	<u>462,025,357</u>	<u>1,705,709,956</u>	<u>1,730,485,225</u>
Net Position				
Net investment in capital assets	-	-	8,701,438	8,186,935
Restricted by bond resolutions	75,172,732	62,419,427	212,078,073	196,169,220
Unrestricted	-	-	79,821,766	89,220,280
Total net position	<u>75,172,732</u>	<u>62,419,427</u>	<u>300,601,277</u>	<u>293,576,435</u>
Total Liabilities and Net Position	<u>\$ 552,597,232</u>	<u>\$ 524,444,784</u>	<u>\$ 2,006,311,233</u>	<u>\$ 2,024,061,660</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	2015	2016	2015
Operating revenues:				
Interest Income on loans	\$ 6,724,791	\$ 6,656,951	\$ 33,597,236	\$ 37,635,637
Interest income attributable to internal servicing activities	3,301,724	2,740,433	-	-
Total interest income on loans	<u>10,026,515</u>	<u>9,397,384</u>	<u>33,597,236</u>	<u>37,635,637</u>
Income on investments:				
Earnings on investments	375,140	358,726	4,233,095	4,720,325
Net increase (decrease) in fair value of investments	(9,872)	(102,395)	(354,118)	(1,681,752)
Fees	11,132,620	10,090,605	-	-
Servicing fee income	613,081	534,250	-	-
Grant revenue	18,622,423	12,837,548	-	-
Miscellaneous income	21,367	189	-	-
Gain on sale of loans	12,206,262	7,442,261	-	-
Total operating revenues	<u>52,987,536</u>	<u>40,558,568</u>	<u>37,476,213</u>	<u>40,674,210</u>
Operating expenses:				
Interest expense	2,045,622	1,582,464	28,363,548	32,480,266
Personnel services	17,499,051	15,040,400	-	-
Other administrative expenses	5,126,784	5,083,132	-	-
Housing initiatives	5,558,056	4,021,748	939	-
Provision for loan losses (recoveries)	2,383,914	5,065,941	6,200,000	6,060,000
REO expenditures	1,056,860	2,612,494	1,071,698	1,457,278
Bad debt expense	599,044	-	-	-
Arbitrage rebate	-	-	(181,723)	(64,078)
Bond issuance costs	-	(63,114)	1,236,681	597,116
Depreciation and amortization of other assets	1,416,988	1,234,380	9,514	5,952
Loan costs	4,763,923	2,563,310	257	257
State Rental Subsidy Program	606,237	664,928	-	-
Grant expense	18,219,709	12,079,038	-	-
Total operating expenses	<u>59,276,188</u>	<u>49,884,721</u>	<u>36,700,914</u>	<u>40,536,791</u>
Operating income (loss)	<u>(6,288,652)</u>	<u>(9,326,153)</u>	<u>775,299</u>	<u>137,419</u>
Transfers in (out)	(1,654,105)	23,845,846	1,438,995	424,406
Total change in net position	<u>(7,942,757)</u>	<u>14,519,693</u>	<u>2,214,294</u>	<u>561,825</u>
Net position, beginning of year	<u>102,176,498</u>	<u>87,656,805</u>	<u>128,980,510</u>	<u>128,418,685</u>
Net position, end of year	<u>\$ 94,233,741</u>	<u>\$ 102,176,498</u>	<u>\$ 131,194,804</u>	<u>\$ 128,980,510</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	Multi-Family Fund		Total	
	2016	2015	2016	2015
Operating revenues:				
Interest Income on loans	\$ 25,652,560	\$ 24,469,617	\$ 65,974,587	\$ 68,762,205
Interest income attributable to internal servicing activities	-	-	3,301,724	2,740,433
Total interest income on loans	<u>25,652,560</u>	<u>24,469,617</u>	<u>69,276,311</u>	<u>71,502,638</u>
Income on investments:				
Earnings on investments	1,500,692	2,413,599	6,108,927	7,492,650
Net increase (decrease) in fair value of investments	(53,336)	(1,050,230)	(417,326)	(2,834,377)
Fees	-	-	11,132,620	10,090,605
Servicing fee income	-	-	613,081	534,250
Grant revenue	-	-	18,622,423	12,837,548
Miscellaneous income	-	-	21,367	189
Gain on sale of loans	-	-	12,206,262	7,442,261
Total operating revenues	<u>27,099,916</u>	<u>25,832,986</u>	<u>117,563,665</u>	<u>107,065,764</u>
Operating expenses:				
Interest expense	13,583,927	13,576,320	43,993,097	47,639,050
Personnel services	-	-	17,499,051	15,040,400
Other administrative expenses	70,455	120,758	5,197,239	5,203,890
Housing initiatives	-	-	5,558,995	4,021,748
Provision for loan losses (recoveries)	-	-	8,583,914	11,125,941
REO expenditures	-	-	2,128,558	4,069,772
Bad debt expense	-	-	599,044	-
Arbitrage rebate	(217,924)	(156,859)	(399,647)	(220,937)
Bond issuance costs	291,780	331,697	1,528,461	865,699
Depreciation and amortization of other assets	-	-	1,426,502	1,240,332
Loan costs	833,483	798,568	5,597,663	3,362,135
State Rental Subsidy Program	-	-	606,237	664,928
Grant expense	-	-	18,219,709	12,079,038
Total operating expenses	<u>14,561,721</u>	<u>14,670,484</u>	<u>110,538,823</u>	<u>105,091,996</u>
Operating income (loss)	<u>12,538,195</u>	<u>11,162,502</u>	<u>7,024,842</u>	<u>1,973,768</u>
Transfers in (out)	215,110	(24,270,252)	-	-
Total change in net position	<u>12,753,305</u>	<u>(13,107,750)</u>	<u>7,024,842</u>	<u>1,973,768</u>
Net position, beginning of year	62,419,427	75,527,177	293,576,435	291,602,667
Net position, end of year	<u>\$ 75,172,732</u>	<u>\$ 62,419,427</u>	<u>\$ 300,601,277</u>	<u>\$ 293,576,435</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 9,992,855	\$ 9,328,427	\$ 33,825,282	\$ 37,930,899
Repayment of loans receivable	64,322,997	49,293,167	79,822,706	86,272,193
Fees collected	11,593,561	11,067,961	(20,709)	(38,740)
Other receipts (disbursements), net	11,028,392	(6,252,378)	-	-
Loans disbursed	(90,338,223)	(55,701,085)	(26,801,284)	(5,861,544)
Accounts receivable, net	60,379	49,151	-	-
Loss on accounts receivable	(599,044)	-	-	-
Loss on loans receivable	3,116,086	1,234,059	(7,700,000)	(7,460,000)
Loss on REO properties	(1,056,860)	(2,612,494)	(1,071,698)	(1,457,278)
Bond issuance costs	-	63,114	(1,236,681)	(597,116)
Personnel services	(17,499,051)	(15,040,400)	-	-
Other administrative expenses	(5,354,694)	(5,457,527)	-	-
Housing initiative expenses	(5,330,146)	(3,647,354)	(939)	-
Other assets	(3,709,942)	(1,909,105)	4,806,410	(406,881)
Arbitrage rebate	-	-	181,723	64,078
Accounts payable and accrued liabilities	(345,896)	(557,865)	(181,723)	(64,078)
Gain on sale of loans	5,783,129	4,677,501	-	-
State Rental Subsidy Program	(606,237)	(664,929)	-	-
Transfers from (to) other programs	(183,637)	12,136,690	1,668,527	433,312
Net cash provided by (used for) operating activities	(19,126,331)	(3,993,067)	83,291,614	108,814,845
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	346,620,000	245,500,000	134,008,014	86,911,505
Payment of bond and note principal	(316,175,552)	(246,131,762)	(213,545,734)	(195,916,962)
Interest paid on bonds and notes	(1,966,212)	(1,576,406)	(29,427,943)	(34,006,716)
Net cash provided by (used for) noncapital financing activities	28,478,236	(2,208,168)	(108,965,663)	(143,012,173)
Cash Flows from Investing Activities:				
Redemption of investments	157,714,056	95,166,348	15,634,360	12,487,325
Earnings on investments	375,385	361,237	4,287,304	4,765,198
Purchase of investments	(157,213,849)	(93,657,025)	(2,090,996)	-
Net cash provided by (used for) investing activities	875,592	1,870,560	17,830,668	17,252,523
Net Increase (Decrease) in Cash and Cash Equivalents	10,227,497	(4,330,675)	(7,843,381)	(16,944,805)
Cash and Cash Equivalents, beginning of year	55,538,749	59,869,424	71,536,977	88,481,782
Cash and Cash Equivalents, end of year	<u>\$ 65,766,246</u>	<u>\$ 55,538,749</u>	<u>\$ 63,693,596</u>	<u>\$ 71,536,977</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	Multi-Family Fund		Total	
	2016	2015	2016	2015
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 25,661,913	\$ 24,439,652	\$ 69,480,050	\$ 71,698,978
Repayment of loans receivable	14,884,992	25,915,175	159,030,695	161,480,535
Fees collected	-	-	11,572,852	11,029,221
Other receipts (disbursements), net	(6,667,613)	(12,738)	4,360,779	(6,265,116)
Loans disbursed	(31,677,899)	(56,229,283)	(148,817,406)	(117,791,912)
Accounts receivable, net	39,277	(39,277)	99,656	9,874
Loss on accounts receivable	-	-	(599,044)	-
Loss on loans receivable	-	-	(4,583,914)	(6,225,941)
Loss on REO properties	-	-	(2,128,558)	(4,069,772)
Bond issuance costs	(291,780)	(331,697)	(1,528,461)	(865,699)
Personnel services	-	-	(17,499,051)	(15,040,400)
Other administrative expenses	(70,455)	(120,758)	(5,425,149)	(5,578,285)
Housing initiative expenses	-	-	(5,331,085)	(3,647,354)
Other assets	-	-	1,096,468	(2,315,986)
Arbitrage rebate	217,924	156,859	399,647	220,937
Accounts payable and accrued liabilities	(327,548)	(175,344)	(855,167)	(797,287)
Gain on sale of loans	(833,483)	(798,567)	4,949,646	3,878,934
State Rental Subsidy Program	-	-	(606,237)	(664,929)
Transfers from (to) other programs	(1,484,890)	(12,570,002)	-	-
Net cash provided by (used for) operating activities	(549,562)	(19,765,980)	63,615,721	85,055,798
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	62,456,119	156,896,321	543,084,133	489,307,826
Payment of bond and note principal	(40,293,789)	(142,325,110)	(570,015,075)	(584,373,834)
Interest paid on bonds and notes	(13,351,953)	(13,865,179)	(44,746,108)	(49,448,301)
Net cash provided by (used for) noncapital financing activities	8,810,377	706,032	(71,677,050)	(144,514,309)
Cash Flows from Investing Activities:				
Redemption of investments	1,750,185	7,219,192	175,098,601	114,872,865
Earnings on investments	1,494,872	2,494,126	6,157,561	7,620,561
Purchase of investments	(1,739,526)	(243,019)	(161,044,371)	(93,900,044)
Net cash provided by (used for) investing activities	1,505,531	9,470,299	20,211,791	28,593,382
Net Increase (Decrease) in Cash and Cash Equivalents	9,766,346	(9,589,649)	12,150,462	(30,865,129)
Cash and Cash Equivalents, beginning of year	48,760,450	58,350,099	175,836,176	206,701,305
Cash and Cash Equivalents, end of year	<u>\$ 58,526,796</u>	<u>\$ 48,760,450</u>	<u>\$ 187,986,638</u>	<u>\$ 175,836,176</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,288,652)	\$ (9,326,153)	\$ 775,299	\$ 137,419
Adjustments:				
Earnings on investments	(375,385)	(361,237)	(4,287,304)	(4,765,198)
Net (increase) decrease in fair value of investments	9,872	102,395	354,118	1,681,752
Interest paid on bonds and notes	1,966,212	1,576,406	29,427,943	34,006,716
Transfer of investments and/or net position	(1,654,105)	23,845,846	1,438,995	424,406
(Increase) decrease in assets:				
Loans receivable/loss allowance	(20,515,226)	(107,918)	51,521,422	79,010,649
Accrued interest-loans	(33,660)	(68,957)	228,046	295,262
Accrued interest-investments	245	2,511	54,209	44,873
Accounts receivable, net	60,379	49,151	-	-
Bond issuance costs	-	-	-	-
Other assets	(2,292,955)	(674,724)	4,815,924	(400,928)
Interfund receivable (payable)	1,470,468	(11,709,155)	229,532	8,906
Deferred outflows	(1,659,210)	(201,450)	257	258
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	79,410	6,057	(1,064,396)	(1,526,450)
Accounts payable/accrued liabilities	(345,896)	(557,868)	(181,722)	(64,079)
Fees, net	(152,139)	443,106	(20,709)	(38,741)
Escrow deposits	10,604,311	(7,011,077)	-	-
Total adjustments	(12,837,679)	5,333,086	82,516,315	108,677,426
Net cash provided by (used for) operating activities	\$ (19,126,331)	\$ (3,993,067)	\$ 83,291,614	\$ 108,814,845

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash				
Operating income (loss)	\$ 12,538,195	\$ 11,162,502	\$ 7,024,842	\$ 1,973,768
Adjustments:				
Earnings on investments	(1,494,872)	(2,494,126)	(6,157,561)	(7,620,561)
Net (increase) decrease in fair value of investments	53,336	1,050,230	417,326	2,834,377
Interest paid on bonds and notes	13,351,953	13,865,179	44,746,108	49,448,301
Transfer of investments and/or net position	215,110	(24,270,252)	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(16,792,905)	(30,314,108)	14,213,291	48,588,623
Accrued interest-loans	9,353	(29,965)	203,739	196,340
Accrued interest-investments	(5,821)	80,527	48,633	127,911
Accounts receivable, net	39,277	(39,277)	99,656	9,874
Bond issuance costs	-	-	-	-
Other assets	-	-	2,522,969	(1,075,652)
Interfund receivable (payable)	(1,700,000)	11,700,249	-	-
Deferred outflows	-	-	(1,658,953)	(201,192)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	231,974	(288,857)	(753,012)	(1,809,250)
Accounts payable/acrued liabilities	(327,548)	(175,344)	(855,166)	(797,291)
Fees, net	-	-	(172,848)	404,365
Escrow deposits	(6,667,614)	(12,738)	3,936,697	(7,023,815)
Total adjustments	(13,087,757)	(30,928,482)	56,590,879	83,082,030
Net cash provided by (used for) operating activities	\$ (549,562)	\$ (19,765,980)	\$ 63,615,721	\$ 85,055,798

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Position - Private Purpose Trust Component Unit
June 30, 2016 and 2015

	2016	2015
Assets		
Loans receivable	\$ 55,911,802	\$ 62,107,499
Less allowance for loan losses	(5,993,516)	(5,327,978)
Loans receivable, net	49,918,286	56,779,521
Investments	55,882	58,590
Accrued interest-loans	168,639	203,482
Accrued interest-investments	320	335
Cash and cash equivalents	27,029,899	16,870,854
Accounts receivable, net	134,841	174,470
Other assets, net	1,220,183	2,231,566
Total Assets	\$ 78,528,050	\$ 76,318,818
Liabilities and Net Position		
Liabilities		
Accounts payable and accrued liabilities	\$ 99,891	\$ 72,613
Total liabilities	99,891	72,613
Net Position		
Held in trust	78,428,159	76,246,205
Total Liabilities and Net Position	\$ 78,528,050	\$ 76,318,818

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues:		
Interest income on loans	\$ 2,736,908	\$ 2,363,092
Earnings on investments:		
Interest on investments	26,158	3,674
Net (increase) decrease in fair value of investments	(145)	1,356
Trust receipts	662,003	410,739
Total revenues	3,424,924	2,778,861
Expenses:		
Other administrative expenses	27,278	27,474
Provision for loan losses	1,215,692	1,841,544
Total expenses	1,242,970	1,869,018
Total change in net position	2,181,954	909,843
Net position, beginning of year	76,246,205	75,336,362
Net position, end of year	\$ 78,428,159	\$ 76,246,205

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

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

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

The Corporation is exempt from federal and state income taxes.

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

b. Affordability Housing Trust

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements.

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

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

d. Loans Receivable and Allowance for Loan Losses

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

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

e. Cash and Cash Equivalents

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

f. Investments

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

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

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

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

h. Other Assets

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

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

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At June 30, 2016 and 2015, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at June 30, 2016 or June 30, 2015.

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

j. Net Position

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

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the years ended June 30, 2016 and 2015 include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond program.

At June 30, 2016 and 2015, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$5,710,537 and \$4,769,283, respectively.

k. Interest Income on Loans

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

l. Use of Estimates

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

m. Recent Accounting Pronouncements

Effective for the fiscal year ended June 30, 2016, the Corporation adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurement, and provides guidance for determining a fair value measurement for financial reporting purposes. In addition, GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB 72 had no effect on the Corporation's financial position at June 30, 2016 and 2015 or its changes in financial position for the years then ended.

Effective for the fiscal year ending June 30, 2017, the Corporation will be required to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosures in employer financial statements. The Corporation is currently evaluating the effects of GASB 75 on its financial statements.

n. Reclassifications

Certain amounts in the accompanying 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. Restricted Assets

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

At June 30, 2016 and 2015, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$160,672,961 and \$149,047,786, respectively, of investments and cash and cash equivalents, and \$237,469,314 and \$223,067,397, respectively, of loans receivable and other assets in the Corporation's Operating Fund are restricted.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

3. Loans Receivable

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

At June 30, 2016 and 2015, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

	2016	2015
Private Mortgage Insurance	\$ 338,268,739	\$ 394,102,138
FHA Insurance	152,954,590	142,624,798
VA Guaranteed	8,460,290	9,941,218
USDA/RD Guaranteed	12,719,155	13,370,752
Uninsured	203,569,755	208,955,045
Total	\$ 715,972,529	\$ 768,993,951

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

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2016 of \$308,297,606 and \$19,733,542, respectively, and at June 30, 2015, of \$317,267,435 and \$7,795,936, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2016 and 2015, loan balances of \$18,448,918 and \$18,605,160, respectively, in the Affordability Housing Trust are also insured under such agreements.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of June 30, 2016, nine hundred and fifty-six loans had been sold directly to FNMA and eight mortgage-backed securities had been issued. As of June 30, 2015, five hundred and ninety-eight loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2016 and 2015. In the Multi-Family Fund, 99% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2016 and 2015. For the years ended June 30, 2016 and 2015, 33% and 30%, respectively, of the Operating Fund's loan portfolio is in first lien position, while 51% and 55%, respectively, of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the years ended June 30, 2016 and 2015, interest received under such deferred loan arrangements was \$303,448 and \$581,226, respectively, in the Operating Fund and \$146,572 and \$162,059, respectively, in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$205,908,202 and \$207,331,159 at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, principal outstanding under such deferred loan arrangements is as follows:

	2016	2015
Operating Fund:		
Single-family loans	\$ 68,599,219	\$ 78,496,510
Multi-family loans	196,273,262	185,082,621
Subtotal	264,872,481	263,579,131
Single-Family Fund:		
Single-family loans	18,536,405	18,178,540
Total	\$ 283,408,886	\$ 281,757,671

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2016 and 2015, principal outstanding under such non-accrual status loans is as follows:

	2016	2015
Operating Fund:		
Single-family loans	\$ 2,708,332	\$ 1,678,170
Multi-family loans	894,747	9,219,146
Subtotal	3,603,079	10,897,316
Single-Family Fund:		
Single-family loans	17,311,452	22,879,536
Total	\$ 20,914,531	\$ 33,776,852

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

	2016	2015
Balance at beginning of year	\$ 34,000,000	\$ 29,100,000
Loans charged off, net of recoveries	(2,812,812)	(3,371,497)
Write-down of REO properties	(1,771,102)	(2,854,444)
Provision for loan losses	8,583,914	11,125,941
Balance at end of year	\$ 38,000,000	\$ 34,000,000

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At June 30, 2016 and 2015, the Mortgage Lender's Reserve Account totaled \$467,739 and \$562,026, respectively.

4. Cash and Cash Equivalents and Investments

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

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

Cash and cash equivalents of Rhode Island Housing were exposed to custodial credit risk at June 30, 2016 and 2015 as follows:

	June 30, 2016			Total Bank Balance
	Category			
	A	C	Insured	
Operating Fund	\$ 2,494,665	\$ 44,252,148	\$ 1,072,750	\$ 47,819,563
Single-Family Fund	-	-	-	-
Multi-Family Fund	167,705	-	-	167,705
Trust	-	14,632,929	250,000	14,882,929
Subtotal	<u>2,662,370</u>	<u>58,885,077</u>	<u>1,322,750</u>	<u>62,870,197</u>
Escrows	-	30,560,011	-	30,560,011
Total	<u>\$ 2,662,370</u>	<u>\$ 89,445,088</u>	<u>\$ 1,322,750</u>	<u>\$ 93,430,208</u>
	June 30, 2015			
	Category			
	A	C	Insured	Total Bank Balance
Operating Fund	\$ 2,308,322	\$ 41,529,867	\$ 1,110,065	\$ 44,948,254
Single-Family Fund	-	-	-	-
Multi-Family Fund	58,379	-	-	58,379
Trust	-	5,925,696	250,000	6,175,696
Subtotal	<u>2,366,701</u>	<u>47,455,563</u>	<u>1,360,065</u>	<u>51,182,329</u>
Escrows	-	16,222,516	-	16,222,516
Total	<u>\$ 2,366,701</u>	<u>\$ 63,678,079</u>	<u>\$ 1,360,065</u>	<u>\$ 67,404,845</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. At June 30, 2016, \$99,769 in the Operating Fund, \$61,765,433 in the Single-Family Fund, \$54,494,255 in the Multi-Family Fund and \$10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. At June 30, 2015, \$24,470 in the Operating Fund, \$69,098,200 in the Single-Family Fund, \$48,210,829 in the Multi-Family Fund and \$10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio.

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

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

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

At June 30, 2016 and 2015, the Operating Fund holds one investment with a maturity of greater than five years. This investment is a marketable security that is pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, the distribution of investments by remaining or re-pricing maturity is as follows:

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

	June 30, 2015			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	\$ 9,811,048	\$ -	\$ 1,883,146	\$ 11,694,194
Single-Family Fund:				
U.S. Government Obligations	-	-	82,141,736	82,141,736
U.S. Agency Obligations	-	2,119,591	24,486,798	26,606,389
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	-	2,119,591	109,512,029	111,631,620
Multi-Family Fund:				
U.S. Government Obligations	39,277	-	-	39,277
U.S. Agency Obligations	-	3,439,044	2,639,544	6,078,588
Guaranteed Investment Contracts	-	17,884,602	-	17,884,602
Total Multi-Family Fund	39,277	21,323,646	2,639,544	24,002,467
Escrows*	-	86,291,712	-	86,291,712
Subtotal	9,850,325	109,734,949	114,034,719	233,619,993
Trust:				
U.S. Agency Obligations	58,590	-	-	58,590
Total	\$ 9,908,915	\$ 109,734,949	\$ 114,034,719	\$ 233,678,583

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling \$94,502,098 and \$108,511,680 at June 30, 2016 and 2015, respectively.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of June 30, 2016 of \$97,475,827 in the Operating Fund, \$94,850,644 in the Single-Family fund, and \$6,027,333 in the Multi-Family Fund that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments are fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of \$2,883,495 in the Single-Family Fund and \$17,911,140 in the Multi-Family Fund as of June 30, 2016.

The Corporation had recurring fair value measurements in the same form as of June 30, 2015 of \$97,985,906 in the Operating Fund, \$108,748,125 in the Single-Family fund, and \$6,117,864 in the Multi-Family Fund that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments were fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation did not measure the fair value of guaranteed investment contracts in the amount of \$2,883,495 in the Single-Family Fund and \$17,884,602 in the Multi-Family Fund as of June 30, 2015.

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

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

Rating Investment	June 30, 2015	
	AA+/Aaa U.S. Agencies	Unrated GICS
	Operating Fund	\$ -
Single-Family Fund	26,606,389	2,883,495
Multi-Family Fund	6,078,588	17,884,602
Trust	58,590	-

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

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

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

At June 30, 2016 and 2015, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

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

Issuer	June 30, 2015		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Home Loan Bank	\$ -	\$ 2,818,123	\$ -
Federal Farm Credit Bank	-	2,274,036	-
HSBC Bank	-	17,884,602	-
Federal National Mtg. Assoc.	24,486,798	-	58,590

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2016 and 2015, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2016 and 2015, there were no investments in any of the other funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At June 30, 2016 and 2015, the Corporation was not party to any interest rate swap agreements. At June 30, 2015, the Corporation had entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

5. Other Assets

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

	2016	2015
Real estate owned	\$ 11,432,030	\$ 15,409,510
Capital assets (<i>depreciable</i>), net	8,701,437	8,186,935
Purchased mortgage servicing rights and excess servicing, net	2,685,989	1,800,967
Other assets and control accounts	86,807	31,820
Total	\$ 22,906,263	\$ 25,429,232

Depreciation expense related to capital assets for the years ended June 30, 2016 and 2015 was \$832,376 and \$737,640, respectively.

Amortization expense related to purchased mortgage servicing rights for the years ended June 30, 2016 and 2015 was \$594,126 and \$502,692, respectively.

Other assets of the Trust consisted of federal program properties totaling \$1,220,183 and \$2,231,566 at June 30, 2016 and June 30, 2015, respectively.

6. Bonds and Notes Payable

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of June 30, 2016.

Bonds and notes payable at June 30, 2016 and 2015 are as follows:

	2016	2015
Operating Fund Bonds and Notes:		
Federal Home Loan Bank:		
Due 2016 to 2020, interest from .72% to 2.47%	\$ 12,000,000	\$ 13,500,000
Federal Financing Bank:		
Due 2056, interest at 2.71%	11,400,000	-
General Obligation Bonds Series 2013:		
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000	5,000,000
Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	12,316,568	7,772,120
Lines of Credit, payable on demand, interest from 1.360% to 1.924%	74,000,000	58,000,000
Total Operating Fund	114,716,568	84,272,120
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000	1,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	500,000	500,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 51-A:		
Serial bonds, due 2015 to 2017, interest from 4.00% to 4.125%	-	4,060,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	-	24,555,000
	-	28,615,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Series 51-B:		
Term bonds, due 2036, interest at 5.00%	-	1,020,000
Series 52-A:		
Serial bonds, due 2015 to 2018, interest from 4.10% to 4.30%	-	2,990,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	-	8,530,000
	<u>-</u>	<u>11,520,000</u>
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	-	22,225,000
Series 53-A:		
Serial bonds, due 2015 to 2017, interest from 3.95% to 4.05%	-	4,350,000
Term bonds, due 2034, interest at 4.60%	-	3,150,000
	<u>-</u>	<u>7,500,000</u>
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	-	37,620,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	56,970,000	56,970,000
Series 55-A:		
Serial bonds, due 2016 to 2017, interest from 3.90% to 3.95%	1,640,000	3,800,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	<u>3,920,000</u>	<u>6,080,000</u>
Series 55-B:		
Serial bonds, due 2017, interest at 4.375%	1,110,000	1,110,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	51,925,000	53,015,000
	<u>53,035,000</u>	<u>54,125,000</u>
Series 56-A:		
Serial bonds, due 2015, interest at 4.65%	-	245,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	44,765,000	46,170,000
	<u>44,765,000</u>	<u>46,415,000</u>
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	-	505,000
Series 57-A:		
Serial bonds, due 2016 to 2017, interest from 4.20% to 4.25%	1,335,000	3,010,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	<u>1,810,000</u>	<u>3,485,000</u>
Series 57-B:		
Term bonds, due 2022, interest at 5.15%	1,655,000	5,425,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Series 58-A:		
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	8,300,000	19,085,000
Series 59-A:		
Serial bonds, due 2016 to 2017, interest from 4.00% to 4.125%	1,860,000	4,375,000
Term bonds, due 2034, interest at 5.15%	2,820,000	3,155,000
	4,680,000	7,530,000
Series 60-A1:		
Serial bonds, due 2016 to 2017, interest from 4.20% to 4.30%	490,000	2,410,000
Series 61-A:		
Serial bonds, due 2016 to 2023, interest from 1.40% to 3.05%	12,755,000	13,435,000
Series 61-B:		
Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%	7,020,000	8,730,000
Series 61-C:		
Serial bonds, due 2016 to 2020, interest from 2.00% to 3.00%	22,540,000	24,210,000
Term bonds, due 2034, interest at 4.00%	900,000	3,055,000
	23,440,000	27,265,000
Series 62-A:		
Serial bonds, due 2016 to 2021, interest from 1.50% to 3.125%	6,080,000	7,165,000
Series 62-B:		
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000	10,975,000
	15,000,000	15,000,000
Series 62-C:		
Serial bonds, due 2016 to 2022, interest from 2.25% to 3.85%	11,405,000	13,995,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	19,865,000	38,395,000
	31,270,000	52,390,000
Series 63-A:		
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	13,570,000	15,120,000
Series 63-B:		
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	2,065,000	2,725,000
Series 63-C:		
Serial bonds, due 2016 to 2022, interest from 1.85% to 3.50%	8,700,000	9,865,000
Term bonds, due 2025, interest at 3.75%	3,680,000	3,680,000
	12,380,000	13,545,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Series 63-T:		
Term bonds, due 2042, interest at variable rate	23,345,000	23,935,000
Series 64-T:		
Serial bonds, due 2016 to 2018, interest from 1.27% to 2.58%	11,820,000	18,270,000
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	43,210,000	47,855,000
	<u>55,030,000</u>	<u>66,125,000</u>
Series 65-T:		
Serial bonds, due 2016 to 2025, interest from .875% to 3.886%	32,825,000	35,815,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	44,305,000	46,810,000
	<u>77,130,000</u>	<u>82,625,000</u>
Series 66 A-1:		
Term bonds, due 2033, interest at 4.00%	23,840,000	-
Series 66 A-2:		
Term bonds, due 2032, interest at 4.00%	7,390,000	-
Series 66-B:		
Term bonds, due 2045, interest variable	15,000,000	-
Series 66 C-2:		
Term bonds, due 2016 to 2026, interest from 0.90% to 3.65%	21,750,000	-
Series 67-A:		
Term bonds, due 2041, interest at 3.55%	5,610,000	-
Series 67-B:		
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	11,650,000	-
Series 67-C:		
Serial bonds, due 2017 to 2027, interest from 0.90% to 3.00%	15,380,000	-
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	20,025,000	-
	<u>35,405,000</u>	<u>-</u>
Unamortized bond premium	4,849,448	1,462,993
Subtotal	<u>611,704,448</u>	<u>671,552,993</u>
Home Funding Bonds and Notes:		
Series 1-A:		
Serial bonds, due 2016 to 2021, interest from 3.125% to 4.125%	6,855,000	7,920,000
Term bonds, due 2024 to 2027, interest from 4.375% to 4.625%	2,450,000	8,100,000
	<u>9,305,000</u>	<u>16,020,000</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	21,260,000	24,760,000
Series 2, Subseries 2B:		
Term bonds, due 2041, interest at 2.63%	18,300,000	19,600,000
Series 2, Subseries 2C:		
Term bonds, due 2041, interest at 2.73%	29,010,000	30,450,000
Series 3:		
Serial bonds, due 2016 to 2020, interest from 2.30% to 3.20%	4,765,000	5,700,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	6,855,000	9,020,000
	<u>11,620,000</u>	<u>14,720,000</u>
Series 4:		
Serial bonds, due 2016 to 2022, interest from 2.00% to 3.50%	5,105,000	5,770,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	4,615,000	5,325,000
	<u>9,720,000</u>	<u>11,095,000</u>
Series 5:		
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	30,465,000	32,690,000
Unamortized bond premium	582,468	616,642
Subtotal	<u>130,262,468</u>	<u>149,951,642</u>
Total Single-Family Fund	<u>741,966,916</u>	<u>821,504,635</u>
Multi-Family Fund:		
Multi-Family Housing Bonds:		
1995 Series A:		
Term bonds, due 2017, interest at 6.15%	275,000	400,000
1998 Series A:		
Term bonds, due 2018, interest at 5.375%	355,000	460,000
Subtotal	<u>630,000</u>	<u>860,000</u>
Housing Bonds:		
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,325,000	3,440,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	19,150,000	19,670,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,515,000	8,620,000
2006 Series A-1:		
Serial bonds, due 2015 to 2016, interest from 4.00% to 4.05%	-	540,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	-	19,680,000
	<u>-</u>	<u>20,220,000</u>
2007 Series A-1:		
Serial bonds, due 2016 to 2017, interest from 4.30% to 4.35%	690,000	1,000,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	<u>30,370,000</u>	<u>30,680,000</u>
2007 Series B-1A/B:		
Serial bonds, due 2016 to 2017, interest from 4.40% to 4.50%	440,000	635,000
Term bonds, due 2022 to 2027, interest from 5.0% to 5.25%	3,335,000	3,335,000
	<u>3,775,000</u>	<u>3,970,000</u>
Unamortized bond discount	<u>(95,868)</u>	<u>(100,142)</u>
Subtotal	<u>65,039,132</u>	<u>86,499,858</u>
Multi-Family Funding Bonds:		
2009 Series A, Subseries 2009A-1:		
Term bonds, due 2051, interest at 3.01%	51,000,000	51,000,000
2009 Series A, Subseries 2009A-2:		
Term bonds, due 2051, interest at 2.32%	14,100,000	14,100,000
2010 Series A:		
Serial bonds, due 2016 to 2021, interest from 2.75% to 4.00%	3,535,000	4,055,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	<u>19,085,000</u>	<u>19,605,000</u>
2011 Series A:		
Serial bonds, due 2016 to 2017, interest from 2.20% to 2.50%	265,000	430,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	4,310,000
	<u>4,575,000</u>	<u>4,740,000</u>
Subtotal	<u>88,760,000</u>	<u>89,445,000</u>
Multi-Family Development Bonds:		
2010 Series 1:		
Serial bonds, due 2016 to 2021, interest from 2.80% to 4.25%	400,000	455,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	8,285,000
	<u>8,685,000</u>	<u>8,740,000</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

2013 Series 1-AB:		
Serial bonds, due 2016 to 2023, interest from 1.15% to 2.85%	3,500,000	3,855,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000	30,905,000
	<u>34,405,000</u>	<u>34,760,000</u>
2013 Series 2-T:		
Serial bonds, due 2016 to 2023, interest from 1.17% to 3.218%	14,375,000	15,835,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000	36,725,000
	<u>51,100,000</u>	<u>52,560,000</u>
2013 Series 3-A:		
Term bonds, due 2016, interest at .85%	2,600,000	2,600,000
2013 Series 3-B:		
Serial bonds, due 2016 to 2024, interest from .85% to 3.85%	290,000	305,000
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	2,195,000	2,195,000
	<u>2,485,000</u>	<u>2,500,000</u>
2013 Series 3-C:		
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000	8,795,000
2013 Series 3-D:		
Serial bonds, due 2016 to 2024, interest from 1.20% to 4.35%	4,045,000	4,045,000
Term bonds, due 2024 to 2028, interest from 4.00% to 4.80%	12,715,000	12,715,000
	<u>16,760,000</u>	<u>16,760,000</u>
2013 Series 4-T:		
Serial bonds, due 2016 to 2018, interest from 1.37% to 2.774%	1,075,000	2,810,000
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	3,970,000	3,970,000
	<u>5,045,000</u>	<u>6,780,000</u>
2014 Series 1-T:		
Term bonds, due 2044, interest of .85%	-	12,000,000
2014 Series 2-T:		
Serial bonds, due 2016 to 2027, interest from 1.064% to 3.823%	17,400,000	18,755,000
2014 Series 3-A:		
Term bond, due 2018, interest of 1.35%	2,100,000	2,100,000
2014 Series 3-B:		
Serial bonds, due 2016 to 2025, interest from .55% to 2.95%	1,985,000	1,985,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000	13,715,000
	<u>15,700,000</u>	<u>15,700,000</u>
2016 Series 1-A:		
Term bonds, due 2044, interest from 0.80% to 1.05%	13,200,000	-

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

2016 Series 1-B:		
Serial bonds, due 2017 to 2026, interest from 0.625% to 2.650%	1,550,000	-
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000	-
	<u>16,900,000</u>	<u>-</u>
2016 Series 1-C:		
Serial bonds, due 2016 to 2026, interest from 0.50% to 3.00%	4,455,000	-
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000	-
	<u>19,625,000</u>	<u>-</u>
Unamortized bond discount	(41,572)	(43,509)
Subtotal	<u>214,758,428</u>	<u>182,006,491</u>
Multi-Family Mortgage Revenue Bonds:		
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000
Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	28,650,000	29,250,000
Series 2015 (Charles Place):		
Note payable, due 2045, interest at 4.16%	25,616,101	25,954,890
Series 2016 (EPN):		
Note payable, due 2049, interest at 4.07%	12,724,909	-
Subtotal	<u>100,691,010</u>	<u>88,904,890</u>
Total Multi-Family Fund	<u>469,878,570</u>	<u>447,716,239</u>
Total Bonds and Notes Payable	<u>\$1,326,562,054</u>	<u>\$1,353,492,994</u>

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

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

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

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

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

On December 30, 2014, the Corporation refunded certain Housing Bond Program bonds with an average interest rate of 4.98% by the issuance of \$18,930,000 Multi-Family Development Bonds Series 2014 2T dated December 30, 2014 with an average interest rate of 3.24%. Of the total amount, \$17,930,000 was used for refunding and \$1,000,000 to fund reserves.

The Corporation refunded the following debt to reduce its total debt service payments over the next thirteen years by \$7,695,673 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$3,185,302.

<u>Housing Bond Program Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 2005 A-1A	10/20/2005	\$ 17,660,000
Series 2005 A-1B	10/20/2005	270,000
		<u>\$ 17,930,000</u>

On October 30, 2014, the Corporation refunded \$86,505,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.60% by the issuance of \$86,505,000 Homeownership Opportunity Bonds Series 65-T dated October 30, 2014 with an average interest rate of 3.74%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by \$2,636,208 and to obtain an economic gain of \$3,425,925.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 49-A	03/23/2005	\$ 5,895,000
Series 49-A	03/23/2005	26,005,000
Series 50-A	07/28/2005	16,240,000
Series 50-B	07/28/2005	38,365,000
		<u>\$ 86,505,000</u>

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2016, the Corporation may borrow up to a maximum of \$90,000,000 under various revolving loan agreements expiring between August 2016 and January 2017. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of \$17,000,000, has a variable interest rate, which was 1.72% at June 30, 2016. The outstanding remaining lines of credit of \$57,000,000 have fixed rates which range from 1.360% - 1.924% at June 30, 2016.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

The schedule below includes amounts required for debt service sinking funds for each fiscal year relating to the respective bonds and notes as of June 30, 2016 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 79,016	\$ 1,560	\$ 24,460	\$ 25,398	\$ 11,459	\$ 14,388
2018	3,500	1,288	35,600	24,881	9,275	14,193
2019	5,000	1,162	34,700	23,927	9,210	13,991
2020	3,500	1,106	31,575	22,847	9,125	13,757
2021	-	1,012	31,140	21,817	9,555	13,494
2022-2026	-	5,063	146,405	91,898	56,500	62,493
2027-2031	6,464	4,688	158,520	63,840	67,685	51,273
2032-2036	4,677	2,939	150,970	34,739	55,050	40,009
2037-2041	-	1,720	89,950	12,421	108,960	30,707
2042-2046	1,160	1,632	30,070	2,805	73,372	19,774
2047-2051	-	1,545	3,145	118	53,005	6,597
2052-2056	-	1,545	-	-	5,785	718
2057-2061	11,400	25	-	-	1,035	21
	<u>\$ 114,717</u>	<u>\$ 25,285</u>	<u>\$ 736,535</u>	<u>\$ 324,691</u>	<u>\$ 470,016</u>	<u>\$ 281,415</u>

Homeownership Opportunity Bonds Series 46-T, 48-T, and 63-T, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established monthly or quarterly, which range from .86% - 1.36% at June 30, 2016. Homeownership Opportunity Bonds Series HOB 66-B and certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from .43% - 1.11% at June 30, 2016.

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Bonds and notes payable activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	58,000,000	232,000,000	(232,000,000)	58,000,000
Secured notes	21,903,882	13,500,000	(14,131,763)	21,272,119
Revenue bonds	1,363,655,121	161,444,150	(255,878,396)	1,269,220,875
	<u>\$ 1,448,559,003</u>	<u>\$ 406,944,150</u>	<u>\$(502,010,159)</u>	<u>\$1,353,492,994</u>

7. Commitments and Contingencies

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

Total credit exposure as a result of loan commitments at June 30, 2016 is as follows:

Operating Fund	\$ 95,869,307
Single-Family Fund	16,667
Multi-Family Fund	7,400,091
Trust	580,162
Total	<u>\$ 103,866,227</u>

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

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next nine years for a total of \$3,789,701, subject to the availability of funds. As of June 30, 2016, \$1,213,511 has been paid under these contracts.

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2016 because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2015, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$31,000,000 and fair values totaling \$1,044,610 were outstanding. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$15,025,000 and fair values totaling \$193,125. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the years ended June 30, 2016 and 2015 totaled \$1,023,262 and \$869,831, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of June 30, 2016, the plan included 23 retirees, 17 of which are receiving benefits, and 195 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the years ended June 30, 2016 and 2015, plan members receiving benefits contributed \$18,408 and \$9,536, respectively, as their required contribution.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

The annual OPEB cost and related information for the fiscal years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Annual required contribution (ARC)	\$ 495,062	\$ 375,276
Interest on OPEB obligation	166,800	150,844
Adjustments to ARC	<u>(154,540)</u>	<u>(139,756)</u>
Annual OPEB cost	507,322	386,364
Net estimated employer contributions	<u>(56,248)</u>	<u>(31,777)</u>
Increase in net OPEB obligation	451,074	354,587
Net OPEB obligation, beginning of year	<u>3,706,672</u>	<u>3,352,085</u>
Net OPEB obligation, end of year	<u>\$ 4,157,746</u>	<u>\$ 3,706,672</u>
Percent of annual OPEB cost contributed	11.1%	8.2%

The net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying statements of net position. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the preceding two fiscal years ended June 30 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ (60,471)	\$ 30,495	(50.4%)	\$ 3,352,085
June 30, 2015	386,364	31,777	8.2%	3,706,672
June 30, 2016	507,322	56,248	11.1%	4,157,746

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,352,085 as of June 30, 2014, the most recent actuarial valuation date. As of June 30, 2016, the unfunded accrued liability as a percentage of covered payroll of \$11,215,426 was 37%.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2016 and 2015

Actuarial Methods and Assumptions

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50%, payroll growth of 3.00% and a 30-year open amortization period. The initial annual healthcare cost trend rate used was 7.50%, declining to an ultimate rate of 4.50% after 12 years.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Subsequent Events

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

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
October 1, 2016	Homeownership Opportunity Bonds	\$ 10,820,000
October 1, 2016	Home Funding Bonds	\$ 7,175,000
October 14, 2016	Homeownership Opportunity Bonds	\$ 157,560,000

The Corporation intends to issue debt as outlined below:

<u>Date of Issuance</u>	<u>Principal Program</u>	<u>Amount</u>
October 14, 2016	Homeownership Opportunity Bonds	\$ 193,105,000

Required Supplementary Information
Retiree Healthcare Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	-	\$ 1,882,457	\$ 1,882,457	0%	\$ 8,596,893	21.9%
June 30, 2011	-	2,764,235	2,764,235	0%	9,052,294	30.5%
June 30, 2014	-	3,352,085	3,352,085	0%	8,033,831	42.0%

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
June 30, 2016 and 2015

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2016	2015	2016	2015
Assets				
Loans receivable	\$ 667,830,730	\$ 715,379,530	\$ 48,141,799	\$ 53,614,421
Less allowance for loan losses	(11,000,000)	(12,500,000)	-	-
Loans receivable, net	<u>656,830,730</u>	<u>702,879,530</u>	<u>48,141,799</u>	<u>53,614,421</u>
Investments	17,028,915	18,741,804	80,705,224	92,889,816
Accrued interest-loans	2,349,652	2,560,190	161,762	179,270
Accrued interest-investments	101,209	106,287	242,352	291,483
Cash and cash equivalents	53,020,322	57,203,674	10,673,274	14,333,303
Other assets, net	9,481,328	14,205,815	1,050,230	1,141,667
Interfund receivable	(125,234)	104,298	18,597	18,597
Total assets	<u>738,686,922</u>	<u>795,801,598</u>	<u>140,993,238</u>	<u>162,468,557</u>
Deferred Outflows of Resources				
Loan origination costs	5,014	5,271	-	-
Total deferred outflows of resources	<u>5,014</u>	<u>5,271</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 738,691,936</u>	<u>\$ 795,806,869</u>	<u>\$ 140,993,238</u>	<u>\$ 162,468,557</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 611,704,448	\$ 671,552,993	\$ 130,262,468	\$ 149,951,642
Accrued interest payable on bonds and notes	5,290,453	6,190,949	1,044,586	1,208,486
Accounts payable and accrued liabilities	-	181,722	-	-
Fees, net	188,415	209,124	-	-
Total liabilities	<u>617,183,316</u>	<u>678,134,788</u>	<u>131,307,054</u>	<u>151,160,128</u>
Net Position				
Net position, restricted	<u>121,508,620</u>	<u>117,672,081</u>	<u>9,686,184</u>	<u>11,308,429</u>
Total Liabilities and Net Position	<u>\$ 738,691,936</u>	<u>\$ 795,806,869</u>	<u>\$ 140,993,238</u>	<u>\$ 162,468,557</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
June 30, 2016 and 2015

	Single-Family Fund Totals	
	2016	2015
Assets		
Loans receivable	\$ 715,972,529	\$ 768,993,951
Less allowance for loan losses	(11,000,000)	(12,500,000)
Loans receivable, net	<u>704,972,529</u>	<u>756,493,951</u>
Investments	97,734,139	111,631,620
Accrued interest-loans	2,511,414	2,739,460
Accrued interest-investments	343,561	397,770
Cash and cash equivalents	63,693,596	71,536,977
Other assets, net	10,531,558	15,347,482
Interfund receivable	(106,637)	122,895
Total assets	<u>879,680,160</u>	<u>958,270,155</u>
Deferred Outflows of Resources		
Loan origination costs	5,014	5,271
Total deferred outflows of resources	<u>5,014</u>	<u>5,271</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 879,685,174</u>	<u>\$ 958,275,426</u>
Liabilities and Net Position		
Liabilities		
Bonds and notes payable	\$ 741,966,916	\$ 821,504,635
Accrued interest payable on bonds and notes	6,335,039	7,399,435
Accounts payable and accrued liabilities	-	181,722
Fees, net	188,415	209,124
Total liabilities	<u>748,490,370</u>	<u>829,294,916</u>
Net Position		
Net position, restricted	<u>131,194,804</u>	<u>128,980,510</u>
Total Liabilities and Net Position	<u>\$ 879,685,174</u>	<u>\$ 958,275,426</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Years Ended June 30, 2016 and 2015

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2016	2015	2016	2015
Operating revenues:				
Interest income on loans	\$ 31,550,569	\$ 35,351,228	\$ 2,046,667	\$ 2,284,409
Earnings on investments:				
Interest on investments	874,341	881,717	3,358,754	3,838,608
Net increase (decrease) in fair value of investments	(25,334)	(302,295)	(328,784)	(1,379,457)
Total operating revenues	32,399,576	35,930,650	5,076,637	4,743,560
Operating expenses:				
Interest expense	24,065,396	27,606,824	4,298,152	4,873,442
Housing initiatives	939	-	-	-
Provision for loan losses	6,200,000	6,060,000	-	-
REO expenditures	1,077,533	1,428,331	(5,835)	28,947
Arbitrage rebate	(181,723)	(64,078)	-	-
Bond issuance costs	1,236,681	597,116	-	-
Depreciation and amortization of other assets	2,949	1,836	6,565	4,116
Loan costs	257	257	-	-
Total operating expenses	32,402,032	35,630,286	4,298,882	4,906,505
Operating income (loss)	(2,456)	300,364	777,755	(162,945)
Transfers in (out)	3,838,995	2,824,406	(2,400,000)	(2,400,000)
Total change in net position	3,836,539	3,124,770	(1,622,245)	(2,562,945)
Net position, beginning of year	117,672,081	114,547,311	11,308,429	13,871,374
Net position, end of year	<u>\$ 121,508,620</u>	<u>\$ 117,672,081</u>	<u>\$ 9,686,184</u>	<u>\$ 11,308,429</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Years Ended June 30, 2016 and 2015

	Single-Family Fund Total	
	2016	2015
Operating revenues:		
Interest income on loans	\$ 33,597,236	\$ 37,635,637
Earnings on investments:		
Interest on investments	4,233,095	4,720,325
Net increase (decrease) in fair value of investments	(354,118)	(1,681,752)
Total operating revenues	37,476,213	40,674,210
Operating expenses:		
Interest expense	28,363,548	32,480,266
Housing initiatives	939	-
Provision for loan losses	6,200,000	6,060,000
REO expenditures	1,071,698	1,457,278
Arbitrage rebate	(181,723)	(64,078)
Bond issuance costs	1,236,681	597,116
Depreciation and amortization of other assets	9,514	5,952
Loan costs	257	257
Total operating expenses	36,700,914	40,536,791
Operating income (loss)	775,299	137,419
Transfers in (out)	1,438,995	424,406
Total change in net position	2,214,294	561,825
Net position, beginning of year	128,980,510	128,418,685
Net position, end of year	<u>\$ 131,194,804</u>	<u>\$ 128,980,510</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	<u>Multi-Family Housing Bond Program</u>		<u>Housing Bond Program</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets				
Loans receivable	\$ 866,013	\$ 890,034	\$ 66,683,317	\$ 87,199,039
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>866,013</u>	<u>890,034</u>	<u>66,683,317</u>	<u>87,199,039</u>
Investments	17,911,140	17,884,602	2,888,874	4,942,038
Accrued interest-loans	5,557	5,711	427,913	541,085
Accrued interest-investments	9,952	23,624	59,929	45,917
Cash and cash equivalents	2,500,987	1,683,003	10,761,092	8,633,437
Accounts receivable, net	-	-	-	39,277
Interfund receivable (payable)	-	-	-	-
Total assets	<u>21,293,649</u>	<u>20,486,974</u>	<u>80,821,125</u>	<u>101,400,793</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 21,293,649</u>	<u>\$ 20,486,974</u>	<u>\$ 80,821,125</u>	<u>\$ 101,400,793</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 630,000	\$ 860,000	\$ 65,039,132	\$ 86,499,858
Accrued interest payable on bonds and notes	17,997	24,663	480,045	712,511
Accounts payable and accrued liabilities	-	121,516	233,511	597,071
Escrow deposits	-	-	-	39,277
Total liabilities	<u>647,997</u>	<u>1,006,179</u>	<u>65,752,688</u>	<u>87,848,717</u>
Net Position				
Net position, restricted	<u>20,645,652</u>	<u>19,480,795</u>	<u>15,068,437</u>	<u>13,552,076</u>
Total Liabilities and Net Position	<u>\$ 21,293,649</u>	<u>\$ 20,486,974</u>	<u>\$ 80,821,125</u>	<u>\$ 101,400,793</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	<u>Multi-Family Mortgage Revenue Bond</u>		<u>Multi-Family Funding Bond Program</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets				
Loans receivable	\$ 100,691,010	\$ 88,904,890	\$ 88,812,014	\$ 89,490,619
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>100,691,010</u>	<u>88,904,890</u>	<u>88,812,014</u>	<u>89,490,619</u>
Investments	-	-	-	-
Accrued interest-loans	71,875	20,688	472,758	476,373
Accrued interest-investments	-	-	-	-
Cash and cash equivalents	3,716,515	10,344,851	8,251,941	7,919,832
Accounts receivable, net	-	-	-	-
Interfund receivable (payable)	-	-	-	-
Total assets	<u>104,479,400</u>	<u>99,270,429</u>	<u>97,536,713</u>	<u>97,886,824</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 104,479,400</u>	<u>\$ 99,270,429</u>	<u>\$ 97,536,713</u>	<u>\$ 97,886,824</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 100,691,010	\$ 88,904,890	\$ 88,760,000	\$ 89,445,000
Accrued interest payable on bonds and notes	164,549	6,512	738,240	742,440
Accounts payable and accrued liabilities	-	-	-	-
Escrow deposits	3,722,587	10,350,924	-	-
Total liabilities	<u>104,578,146</u>	<u>99,262,326</u>	<u>89,498,240</u>	<u>90,187,440</u>
Net Position				
Net position, restricted	<u>(98,746)</u>	<u>8,103</u>	<u>8,038,473</u>	<u>7,699,384</u>
Total Liabilities and Net Position	<u>\$ 104,479,400</u>	<u>\$ 99,270,429</u>	<u>\$ 97,536,713</u>	<u>\$ 97,886,824</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	Multi-Family Development Bonds		Multi-Family Fund Total	
	2016	2015	2016	2015
Assets				
Loans receivable	\$ 213,499,715	\$ 187,274,582	\$ 470,552,069	\$ 453,759,164
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>213,499,715</u>	<u>187,274,582</u>	<u>470,552,069</u>	<u>453,759,164</u>
Investments	3,138,459	1,175,827	23,938,473	24,002,467
Accrued interest-loans	1,121,939	1,065,538	2,100,042	2,109,395
Accrued interest-investments	9,971	4,490	79,852	74,031
Cash and cash equivalents	33,296,261	20,179,327	58,526,796	48,760,450
Accounts receivable, net	-	-	-	39,277
Interfund receivable (payable)	(2,600,000)	(4,300,000)	(2,600,000)	(4,300,000)
Total assets	<u>248,466,345</u>	<u>205,399,764</u>	<u>552,597,232</u>	<u>524,444,784</u>
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 248,466,345</u>	<u>\$ 205,399,764</u>	<u>\$ 552,597,232</u>	<u>\$ 524,444,784</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 214,758,428	\$ 182,006,491	\$ 469,878,570	\$ 447,716,239
Accrued interest payable on bonds and notes	1,906,484	1,589,215	3,307,315	3,075,341
Accounts payable and accrued liabilities	282,517	124,989	516,028	843,576
Escrow deposits	-	-	3,722,587	10,390,201
Total liabilities	<u>216,947,429</u>	<u>183,720,695</u>	<u>477,424,500</u>	<u>462,025,357</u>
Net Position				
Net position, restricted	<u>31,518,916</u>	<u>21,679,069</u>	<u>75,172,732</u>	<u>62,419,427</u>
Total Liabilities and Net Position	<u>\$ 248,466,345</u>	<u>\$ 205,399,764</u>	<u>\$ 552,597,232</u>	<u>\$ 524,444,784</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Housing Bond Program		Housing Bond Program	
	2016	2015	2016	2015
Operating revenues:				
Interest income on loans	\$ 67,542	\$ 69,329	\$ 5,478,048	\$ 7,656,711
Earnings on investments:				
Interest on investments	1,121,995	1,132,438	263,713	1,216,071
Net increase (decrease) in fair value of investments	-	-	(362,920)	(1,029,808)
Total operating revenues	1,189,537	1,201,767	5,378,841	7,842,974
Operating expenses:				
Interest expense	35,994	49,325	2,616,130	4,490,809
Other administrative expenses	579	-	69,876	120,758
Arbitrage rebate	(11,893)	4,355	(363,560)	(139,845)
Bond issuance costs	-	-	-	-
Loan costs	45,699	46,246	556,937	551,710
Total operating expenses	70,379	99,926	2,879,383	5,023,432
Operating income	1,119,158	1,101,841	2,499,458	2,819,542
Transfers in (out)	45,699	46,246	(983,097)	(24,363,162)
Total change in net position	1,164,857	1,148,087	1,516,361	(21,543,620)
Net position, beginning of year	19,480,795	18,332,708	13,552,076	35,095,696
Net position, end of year	<u>\$ 20,645,652</u>	<u>\$ 19,480,795</u>	<u>\$ 15,068,437</u>	<u>\$ 13,552,076</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2016	2015	2016	2015
Operating revenues:				
Interest income on loans	\$ 1,452,721	\$ 568,386	\$ 5,693,206	\$ 5,735,338
Interest income attributable to internal servicing activities	-	-	-	-
Total interest income on loans	<u>1,452,721</u>	<u>568,386</u>	<u>5,693,206</u>	<u>5,735,338</u>
Earnings on investments:				
Interest on investments	-	-	10,058	3,017
Net increase (decrease) in fair value of investments	-	-	-	-
Total operating revenues	<u>1,452,721</u>	<u>568,386</u>	<u>5,703,264</u>	<u>5,738,355</u>
Operating expenses:				
Interest expense	1,303,028	343,414	2,964,175	2,979,203
Other administrative expenses	-	-	-	-
Arbitrage rebate	-	-	-	-
Bond issuance costs	-	-	-	-
Loan costs	-	-	118,968	139,537
Total operating expenses	<u>1,303,028</u>	<u>343,414</u>	<u>3,083,143</u>	<u>3,118,740</u>
Operating income	149,693	224,972	2,620,121	2,619,615
Transfers in (out)	<u>(256,542)</u>	<u>(223,077)</u>	<u>(2,281,032)</u>	<u>(2,260,463)</u>
Total change in net position	(106,849)	1,895	339,089	359,152
Net position, beginning of year	<u>8,103</u>	<u>6,208</u>	<u>7,699,384</u>	<u>7,340,232</u>
Net position, end of year	<u><u>\$ (98,746)</u></u>	<u><u>\$ 8,103</u></u>	<u><u>\$ 8,038,473</u></u>	<u><u>\$ 7,699,384</u></u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Development Bonds		Multi-Family Total	
	2016	2015	2016	2015
Operating revenues:				
Interest income on loans	\$ 12,961,043	\$ 10,439,853	\$ 25,652,560	\$ 24,469,617
Earnings on investments:				
Interest on investments	104,926	62,073	1,500,692	2,413,599
Net increase (decrease) in fair value of investments	309,584	(20,422)	(53,336)	(1,050,230)
Total operating revenues	13,375,553	10,481,504	27,099,916	25,832,986
Operating expenses:				
Interest expense	6,664,600	5,713,569	13,583,927	13,576,320
Other administrative expenses	-	-	70,455	120,758
Arbitrage rebate	157,529	(21,369)	(217,924)	(156,859)
Bond issuance costs	291,780	331,697	291,780	331,697
Loan costs	111,879	61,075	833,483	798,568
Total operating expenses	7,225,788	6,084,972	14,561,721	14,670,484
Operating income	6,149,765	4,396,532	12,538,195	11,162,502
Transfers in (out)	3,690,082	2,530,204	215,110	(24,270,252)
Total change in net position	9,839,847	6,926,736	12,753,305	(13,107,750)
Net position, beginning of year	21,679,069	14,752,333	62,419,427	75,527,177
Net position, end of year	<u>\$ 31,518,916</u>	<u>\$ 21,679,069</u>	<u>\$ 75,172,732</u>	<u>\$ 62,419,427</u>

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**UNAUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING
FOR THE SIX-MONTH PERIOD ENDED
DECEMBER 31, 2016**

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

**Financial Statements and Supplementary Information
For the Six Months Ended December 31, 2016**

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

Financial Statements and Supplementary Information
As of and For the Six Months Ended December 31, 2016

	Page
Management's Discussion and Analysis	1
Financial Statements:	
Combining Statements of Net Position	6
Combining Statements of Revenues, Expenses and Changes in Net Position	7
Combining Statements of Cash Flows	8
Statements of Fiduciary Net Position – Private Purpose Trust Component Unit	10
Statements of Changes in Fiduciary Net Position – Private Purpose Trust Component Unit	11
Notes to Financial Statements	12
Supplementary Schedules:	
Combining Statements of Net Position – Single-Family Fund	37
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund	38
Combining Statements of Net Position - Multi-Family Fund	39
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund	41

Management's Discussion and Analysis

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

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of December 31, 2016 and 2015 and for the six months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the six months ended December 31, 2016 increased (decreased) as compared to 2015 are as follows:

	2016	
	\$	%
Mortgage loans, gross	34.0	2.2
Investments	(20.5)	(9.1)
Cash and cash equivalents	23.0	11.1
Total assets	22.2	1.1
Bonds and notes payable	17.1	1.3
Total net position	4.1	1.4
Total revenues	0.4	0.7
Total expenses	3.3	6.5
Operating income	(2.9)	(82.2)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$40.2 million. Multi-family loans increased by \$8.9 million and Operating Fund loans increased \$65.2 million due mainly to an increase in multi-family loans in the operating fund.

Bonds and notes payable, the largest component of liabilities, decreased by \$17.0 million during 2016. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

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

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

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

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

Operating Activity of the Corporation

The following table summarizes the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 72:

For the Six Months Ended December 31, 2016 and 2015 (in thousands)

	2016	2015	% Change
Revenues:			
Interest income on loans	\$ 34,845	\$ 34,952	(0.3)
Earnings on investments	2,832	2,988	(5.2)
Gain on sale of loans	4,606	5,686	(19.0)
Grant revenue	6,868	5,741	19.6
Other	7,454	5,379	38.6
Total revenues	56,605	54,746	3.4
Expenses:			
Interest expense	20,817	22,029	(5.5)
Provision for loan losses	3,439	3,100	10.9
REO expenditures	1,652	1,663	(0.7)
Bond issuance costs	1,360	731	86.0
Operating expenses	13,033	11,067	17.8
Grant expense	6,637	5,517	20.3
Other expenses	6,652	6,189	7.5
Total expenses	53,590	50,296	6.5
Operating income, before adjusting investments to fair value	\$ 3,015	\$ 4,450	(32.2)%

Operating income (loss), after adjusting investments to fair value, was \$0.6 million for the six month period ended December 31, 2016, and \$3.5 million for the six month period ended December 31, 2015. GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$2.4 million in 2016 compared to a decrease of \$1.0 million in 2015. Operating income, excluding the unrealized gains and losses on investments, decreased 32.2% in 2016.

Gain on sale of loans was \$4.6 million and \$5.7 million for the six months ended December 31, 2016 and 2015, respectively.

Other revenue was \$7.5 million and \$5.4 million for the six months ended December 31, 2016 and 2015, respectively. It consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$13.0 million for the six month period ended December 31, 2016, an increase of 17.8% from \$11.1 million for the six months ended December 31, 2015. This increase was primarily related to personnel services which increased in conjunction with an increase in loan volume.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses remained consistent at \$1.7 million for the six months ended December 31, 2016 and 2015.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income had a slight increase from \$15.9 million in 2015 to \$16.9 million in 2016. Interest income on loans decreased by \$0.1 million, earnings on investments decreased by \$0.2 million for the six month period ended December 31, 2016. Net interest income as a percentage of average bonds and notes payable was 2.48% in 2016 and 2.31% in 2015, respectively. Interest income on loans as a percentage of total loans decreased from 4.41% in 2015 to 4.33% in 2016; interest expense on bonds and notes decreased from 3.19% to 3.06%. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from 1.22% in 2015 to 1.27% in 2016. This is the result of various bond refundings and continued lower rates on new loans.

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

The provision for loan losses increased from \$3.1 million in 2015 to \$3.4 million in 2016 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

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

Financial Analysis of the Corporation

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

December 31, 2016 and 2015 (in millions)			
	2016	2015	% Change
Loans receivable, net	\$ 1,570	\$ 1,541	1.9
Investments	206	227	(9.3)
Cash and cash equivalents	230	207	11.1
Other assets	37	46	(19.6)
Total assets	2,043	2,021	1.1
Deferred outflows of resources	1	2	(27.1)
Bonds and notes payable	1,366	1,349	1.3
Other liabilities	377	377	0.0
Total liabilities	1,743	1,726	1.0
Net position:			
Net investment in capital assets	9	8	8.9
Restricted	214	201	6.4
Unrestricted	78	88	(10.8)

At December 31, 2016, total assets of the Corporation increased 1.1% from 2015, primarily due to an increase in loans receivables, net, and cash and cash equivalents. Net loans receivable increased \$29.0 million, or 1.9%, from the previous year. Bonds and notes payable totaled \$1.4 billion as of December 31, 2016, an increase of \$17.0 million or 1.3% from December 31, 2015.

During the six month period ended December 31, 2016, the Corporation issued \$193.1 million in single family bonds. During that same period, \$175.6 million of single family bonds and \$15.4 million of multi-family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

As of December 31, 2016 and 2015, the net position-to-asset ratio was 14.7% and the loan-to-asset ratio was 76.9% and 76.3%, respectively. These ratios reflect the application of GASB Statement No. 72.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of December 31, 2016 and 2015, single-family residential mortgages in bond resolutions totaled \$699 million and \$739 million, respectively, and multi-family loans in bond resolutions totaled \$462 million and \$453 million, respectively.

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

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

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island have a direct impact on the Corporation's delinquency experience within its portfolio. At December 31, 2016 Rhode Island's unemployment rate was 5.0% compared to 5.1% for the same period in 2015. The Corporation has experienced a decrease in its 90+ delinquency rate from 2.13% in 2015 to 2.12% in 2016.

Requests for Information

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

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
December 31, 2016

Assets	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Loans receivable	\$ 403,567,489	\$ 698,472,653	\$ 461,651,671	\$ 1,563,691,813
Less allowance for loan losses	(27,014,005)	(12,158,957)	-	(39,172,962)
Loans receivable, net	<u>376,553,484</u>	<u>686,313,696</u>	<u>461,651,671</u>	<u>1,524,518,851</u>
Loans held for sale	\$ 45,973,260	-	-	45,973,260
Investments	97,451,174	85,434,168	23,272,682	206,158,024
Accrued interest-loans	860,786	2,436,171	2,122,737	5,419,694
Accrued interest-investments	22,066	303,264	115,283	440,613
Cash and cash equivalents	70,316,880	107,636,917	52,110,594	230,064,391
Accounts receivable, net	10,443,675	-	-	10,443,675
Other assets, net	13,072,041	7,032,885	-	20,104,926
Interfund receivable (payable)	(18,597)	18,597	-	-
Total Assets	<u>614,674,769</u>	<u>889,175,698</u>	<u>539,272,967</u>	<u>2,043,123,434</u>
Deferred Outflows of Resources				
Loan origination costs	-	4,886	-	4,886
Hedging instruments	1,168,697	-	-	1,168,697
Total deferred outflows of resources	<u>1,168,697</u>	<u>4,886</u>	<u>-</u>	<u>1,173,583</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 615,843,466</u>	<u>\$ 889,180,584</u>	<u>\$ 539,272,967</u>	<u>\$ 2,044,297,017</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 159,597,706	\$ 753,341,229	\$ 453,035,408	\$ 1,365,974,343
Accrued interest payable on bonds and notes	255,886	5,744,132	3,085,691	9,085,709
Accounts payable and accrued liabilities	7,570,088	-	363,145	7,933,233
Fees, net	1,215,524	179,310	-	1,394,834
Escrow deposits	353,942,732	-	4,740,528	358,683,260
Total liabilities	<u>522,581,936</u>	<u>759,264,671</u>	<u>461,224,772</u>	<u>1,743,071,379</u>
Net Position				
Net investment in capital assets	8,892,633	-	-	8,892,633
Restricted by bond resolutions	5,894,147	129,915,913	78,048,195	213,858,255
Unrestricted	78,474,750	-	-	78,474,750
Total net position	<u>93,261,530</u>	<u>129,915,913</u>	<u>78,048,195</u>	<u>301,225,638</u>
Total Liabilities and Net Position	<u>\$ 615,843,466</u>	<u>\$ 889,180,584</u>	<u>\$ 539,272,967</u>	<u>\$ 2,044,297,017</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Six Months Ended December 31, 2016

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Operating revenues:				
Interest income on loans	\$ 4,117,680	\$ 15,943,201	\$ 12,922,094	\$ 32,982,975
Interest income attributable to internal servicing activities	1,861,671	-	-	1,861,671
Total interest income on loans	5,979,351	15,943,201	12,922,094	34,844,646
Income on investments:				
Earnings on investments	66,804	1,933,018	831,975	2,831,797
Net decrease in fair value of investments	(90,080)	(2,069,977)	(230,592)	(2,390,649)
Fees	7,048,514	-	-	7,048,514
Servicing fee income	338,559	-	-	338,559
Grant revenue	6,868,473	-	-	6,868,473
Miscellaneous income	66,981	-	-	66,981
Gain on sale of loans	4,606,296	-	-	4,606,296
Total operating revenues	24,884,898	15,806,242	13,523,477	54,214,617
Operating expenses:				
Interest expense	1,539,026	12,052,273	7,225,223	20,816,522
Personnel services	9,152,530	-	-	9,152,530
Other administrative expenses	3,241,060	-	25,931	3,266,991
Housing initiatives	2,149,930	-	-	2,149,930
Provision for loan losses (recoveries)	1,438,615	2,000,000	-	3,438,615
REO expenditures	1,446,929	205,405	-	1,652,334
Bond issuance costs	59,577	1,300,895	-	1,360,472
Bad debt expense	12,680	-	-	12,680
Arbitrage rebate	-	-	(152,884)	(152,884)
Depreciation and amortization of other assets	609,647	3,672	-	613,319
Loan costs	4,066,629	129	390,124	4,456,882
State Rental Subsidy Program	185,535	-	-	185,535
Grant expense	6,637,330	-	-	6,637,330
Total operating expenses	30,539,488	15,562,374	7,488,394	53,590,256
Operating income (loss)	(5,654,590)	243,868	6,035,083	624,361
Transfers in (out)	4,682,379	(1,522,759)	(3,159,620)	-
Total change in net position	(972,211)	(1,278,891)	2,875,463	624,361
Net position, beginning of period	94,233,741	131,194,804	75,172,732	300,601,277
Net position, end of period	\$ 93,261,530	\$ 129,915,913	\$ 78,048,195	\$ 301,225,638

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Six Months Ended December 31, 2016

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 5,601,404	\$ 16,018,444	\$ 12,899,397	\$ 34,519,245
Repayment of loans receivable	53,340,633	47,071,044	9,175,399	109,587,076
Fees collected	7,329,980	(9,105)	-	7,320,875
Other receipts (disbursements), net	(1,954,292)	-	1,017,941	(936,351)
Loans disbursed	(96,915,325)	(29,571,167)	(275,000)	(126,761,492)
Accounts receivable, net	2,895,892	-	-	2,895,892
Loss on accounts receivable	(12,680)	-	-	(12,680)
Loss on loans receivable	(1,424,610)	(841,043)	-	(2,265,653)
Loss on REO properties	(1,446,929)	(205,405)	-	(1,652,334)
Bond issuance costs	(59,577)	(1,300,895)	-	(1,360,472)
Personnel services	(9,152,530)	-	-	(9,152,530)
Other administrative expenses	(3,297,728)	-	(25,931)	(3,323,659)
Housing initiative expenses	(2,093,262)	-	-	(2,093,262)
Other assets	(1,306,983)	3,495,001	-	2,188,018
Arbitrage rebate	-	-	152,884	152,884
Accounts payable and accrued liabilities	163,652	-	(152,884)	10,768
Gain on sale of loans	2,267,916	-	(390,124)	1,877,792
State Rental Subsidy Program	(185,535)	-	-	(185,535)
Transfers from (to) other programs	7,407,613	(1,647,993)	(5,759,620)	-
Net cash provided by (used for) operating activities	(38,842,361)	33,008,881	16,642,062	10,808,582
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	218,295,000	196,002,008	55,846,582	470,143,590
Payment of bond and note principal	(173,413,862)	(184,627,695)	(72,689,744)	(430,731,301)
Interest paid on bonds and notes	(1,487,458)	(12,643,182)	(7,446,846)	(21,577,486)
Net cash provided by (used for) noncapital financing activities	43,393,680	(1,268,869)	(24,290,008)	17,834,803
Cash Flows from Investing Activities:				
Redemption of investments	87,228,213	10,229,994	450,937	97,909,144
Earnings on investments	64,742	1,973,315	796,544	2,834,601
Purchase of investments	(87,293,640)	-	(15,737)	(87,309,377)
Net cash provided by (used for) investing activities	(685)	12,203,309	1,231,744	13,434,368
Net Increase (Decrease) in Cash and Cash Equivalents	4,550,634	43,943,321	(6,416,202)	42,077,753
Cash and Cash Equivalents, beginning of period	65,766,246	63,693,596	58,526,796	187,986,638
Cash and Cash Equivalents, end of period	\$ 70,316,880	\$ 107,636,917	\$ 52,110,594	\$ 230,064,391

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Six Months Ended December 31, 2016

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities:				
Operating income (loss)	\$ (5,654,590)	\$ 243,868	\$ 6,035,083	\$ 624,361
Adjustments:				
Earnings on investments	(64,742)	(1,973,315)	(796,544)	(2,834,601)
Net decrease in fair value of investments	90,080	2,069,977	230,592	2,390,649
Interest paid on bonds and notes	1,487,458	12,643,182	7,446,846	21,577,486
Transfer of investments and/or net position	4,682,379	(1,522,759)	(3,159,620)	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(43,560,687)	18,658,834	8,900,398	(16,001,455)
Accrued interest-loans	(377,947)	75,243	(22,695)	(325,399)
Accrued interest-investments	(2,061)	40,297	(35,431)	2,805
Accounts receivable, net	2,895,892	-	-	2,895,892
Bond issuance costs	-	-	-	-
Other assets	(697,337)	3,498,673	-	2,801,336
Interfund receivable (payable)	2,725,234	(125,234)	(2,600,000)	-
Deferred outflows of resources	1,728,248	128	-	1,728,376
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	51,568	(590,908)	(221,623)	(760,963)
Accounts payable/accrued liabilities	163,652	-	(152,884)	10,768
Fees, net	(57,093)	(9,105)	-	(66,198)
Escrow deposits	(2,252,415)	-	1,017,940	(1,234,475)
Total adjustments	(33,187,771)	32,765,013	10,606,979	10,184,221
Net cash provided by (used for) operating activities	\$ (38,842,361)	\$ 33,008,881	\$ 16,642,062	\$ 10,808,582

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Fiduciary Net Position - Private Purpose Trust Component Unit
December 31, 2016

Assets

Loans receivable	\$	55,963,984
Less allowance for loan losses		(5,952,667)
Loans receivable, net		50,011,317
Investments		54,567
Accrued interest-loans		167,593
Accrued interest-investments		313
Cash and cash equivalents		30,047,067
Accounts receivable, net		124,438
Other assets, net		498,795

Total Assets	\$	80,904,090
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Liabilities and Net Position

Liabilities

Accounts payable and accrued liabilities	\$	375
Total liabilities		375

Net Position

Held in trust	\$	80,903,715
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Total Liabilities and Net Position	\$	80,904,090
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ODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

(A Component Unit of the State of Rhode Island)

**Statement of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Six Months Ended December 31, 2016**

Revenues:

Interest income on loans	\$	1,901,199
Earnings on investments:		
Interest on investments		36,094
Net decrease in fair value of investments		(22)
Trust Receipts		535,290
Total revenues		<u><u>2,472,561</u></u>

Expenses:

Provision (recovery) for loan loss		(3,370)
Costs to sell loans		375
Total expenses		<u><u>(2,995)</u></u>

Total change in net position **2,475,556**

Net position, beginning of period 78,428,159

Net position, end of period \$ 80,903,715

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

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

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

The Corporation is exempt from federal and state income taxes.

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

b. Affordability Housing Trust

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements.

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

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

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Loans Receivable and Allowance for Loan Losses

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

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

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

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

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

e. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less are considered cash and cash equivalents.

f. Investments

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

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

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

In accordance with GASB Statement No. 72 (GASB 72) fair value measurement must be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The Corporation uses a market approach in determining fair value. Prices and other relevant information are generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. This valuation technique is applied consistently.

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

in the combining statement of revenues, expenses and changes in net position in the year in which the bond is refinanced.

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

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

h. Other Assets

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

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

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At December 31, 2016, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at December 31, 2016.

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

j. Net Position

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

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the period ended December 31, 2016, include cash transfers for reimbursement of activities in support of the bond programs.

At December 31, 2016, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$5,894,147.

k. Interest Income on Loans

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

l. Use of Estimates

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

m. Recent Accounting Pronouncements

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

2. Restricted Assets

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

At December 31, 2016, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$161,427,801 of investments and cash and cash equivalents and \$269,425,090 of loans receivable and other assets in the Corporation's Operating Fund are restricted.

3. Loans Receivable

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

At December 31, 2016, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

Private Mortgage Insurance	\$ 311,857,920
FHA Insurance	170,191,387
VA Guaranteed	7,787,384
USDA/RD Guaranteed	11,572,971
Uninsured	197,062,991
Total	\$ 698,472,653

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

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at December 31, 2016 of \$309,935,773 and \$51,114,816, respectively are insured under such agreements subject to maximum participation limits. At December 31, 2016, loan balances of \$18,366,387 in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of December 31, 2016, 1,183 loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the six months ended December 31, 2016. In the Multi-Family Fund, 98% of the loan portfolio is in first lien position for the six months ended December 31, 2016. For the six months ended December 31, 2016, 40% of the Operating Fund's loan portfolio is in first lien position, while 51% of the Affordable Housing Trust's loan portfolio is in first lien position.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the six months ended December 31, 2016, interest received under such deferred loan arrangements was \$43,290 in the Operating Fund and \$166,513 in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$204,407,254 at December 31, 2016.

At December 31, 2016, principal outstanding under such deferred loan arrangements is as follows:

Operating Fund:	
Single-family loans	\$ 65,775,393
Multi-family loans	196,860,102
Subtotal	<u>262,635,495</u>
Single-Family Fund:	
Single-family loans	<u>17,790,167</u>
Total	<u>\$ 280,425,662</u>

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At December 31, 2016, principal outstanding under such non-accrual status loans is as follows:

Operating Fund:	
Single-family loans	\$ 3,037,794
Multi-family loans	3,941,470
Subtotal	<u>6,979,264</u>
Single-Family Fund:	
Single-family loans	<u>18,056,198</u>
Total	<u>\$ 25,035,462</u>

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

Balance at beginning of period	\$ 38,000,000
Loans charged off, net of recoveries	(2,001,115)
Write-down of REO properties	(264,538)
Provision for loan losses	3,438,615
Balance at end of period	<u>\$ 39,172,962</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At December 31, 2016, the Mortgage Lender's Reserve Account totaled \$467,739.

4. Cash and Cash Equivalents and Investments

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

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

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio.

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

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

At December 31, 2016, the Operating Fund holds two investments with maturities of greater than five years. These investments are marketable securities that are pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling \$85,714,750 at December 31, 2016.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of December 31, 2016 of \$97,181,174 in the Operating Fund, \$82,550,673 in the Single-Family fund, and \$5,347,853 in the Multi-Family Fund that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments are fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of \$2,883,495 in the Single-Family Fund and \$17,924,830 in the Multi-Family Fund as of December 31, 2016.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

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

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

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

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

At December 31, 2016, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At December 31, 2016, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At December 31, 2016, there were no investments in any of the other funds subject to custodial credit risk.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At December 31, 2016, the Corporation was not party to any interest rate swap agreements. At December 31, 2016, the Corporation had entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets, net, consisted of the following at December 31, 2016:

Real estate owned	\$ 8,665,051
Capital assets (<i>depreciable</i>), net	8,892,633
Purchased mortgage servicing rights and excess servicing, net	2,478,766
Other assets and control accounts	68,476
Total	\$ 20,104,926

Depreciation expense related to capital assets for the six months ended December 31, 2016, was \$402,424.

Amortization expense related to the purchased mortgage servicing rights for the six months ended December 31, 2016, was \$210,895.

Other assets of the Trust consisted of federal program properties totaling \$498,795 at December 31, 2016.

6. Bonds and Notes Payable

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

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

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

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

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of December 31, 2016.

Bonds and notes payable at December 31, 2016, are as follows:

Operating Fund Bonds and Notes:

Federal Home Loan Bank	
Due 2018 to 2026, interest up to 2.47%	\$ 14,175,000
 Federal Financing Bank:	
Due 2056, interest from 2.24% to 2.75%	42,919,435
 General Obligation Bonds Series 2013:	
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000
 Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	13,503,271
 Lines of Credit, payable on demand, interest from 1.72% to 2.03%	84,000,000
Total Operating Fund	<u>159,597,706</u>

Single-Family Fund:

Homeownership Opportunity Bonds and Notes:

Series 10-A:	
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000
 Series 15-A:	
Term bonds, due 2024, interest at 6.85%	500,000
 Series 46-T:	
Term bonds, due 2034, interest at variable rate	15,000,000
 Series 48-T:	
Term bonds, due 2034, interest at variable rate	15,000,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

Series 57-A:	
Serial bonds, due 2017, interest at 4.25%	915,000
Term bonds, due 2034, interest at 5.00%	475,000
	1,390,000
Series 57-B:	
Term bonds, due 2022, interest at 5.15%	1,655,000
Series 58-A:	
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	7,955,000
Series 59-A:	
Serial bonds, due 2017, interest at 4.125%	1,235,000
Term bonds, due 2034, interest at 5.15%	2,820,000
	4,055,000
Series 61-A:	
Serial bonds, due 2020 to 2023, interest from 2.40% to 3.05%	12,265,000
Series 61-B:	
Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%	6,975,000
Series 61-C:	
Serial bonds, due 2017 to 2020, interest from 2.20% to 3.00%	22,435,000
Term bonds, due 2034, interest at 4.00%	410,000
	22,845,000
Series 62-A:	
Serial bonds, due 2017 to 2021, interest from 1.80% to 3.125%	5,770,000
Series 62-B:	
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000
	15,000,000
Series 62-C:	
Serial bonds, due 2017 to 2022, interest from 2.55% to 3.85%	10,665,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	19,865,000
	30,530,000
Series 63-A:	
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	13,390,000
Series 63-B:	
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	2,065,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

Series 63-C:	
Serial bonds, due 2017 to 2022, interest from 2.05% to 3.50%	8,400,000
Term bonds, due 2025, interest at 3.75%	3,680,000
	<hr/> 12,080,000
Series 63-T:	
Term bonds, due 2042, interest at variable rate	23,220,000
Series 64-T:	
Serial bonds, due 2017 to 2018, interest from 1.93% to 2.58%	10,245,000
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	36,815,000
	<hr/> 47,060,000
Series 65-T:	
Serial bonds, due 2017 to 2025, interest from 1.490% to 3.886%	32,060,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	43,535,000
	<hr/> 75,595,000
Series 66 A-1	
Term bonds, due 2033, interest at 4.00%	23,070,000
Series 66 A-2	
Term bonds, due 2032, interest at 4.00%	7,390,000
Series 66 B	
Term bonds, due 2045, interest at variable rate	15,000,000
Series 66 C-2	
Serial bonds, due 2017 to 2026, interest from 1.05% to 3.65%	21,205,000
Series 67-A:	
Term bonds, due 2041, interest at 3.55%	5,610,000
Series 67-B:	
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	11,020,000
Series 67-C:	
Serial bonds, due 2017 to 2027, interest from 0.90% to 3.00%	15,380,000
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	19,325,000
	<hr/> 34,705,000
Series 68-A:	
Term bonds, due 2017 to 2018, interest from 0.50% to 0.85%	3,375,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

Series 68-B:	
Term bonds, due 2031 to 2046, interest from 3.00% to 3.40%	40,000,000
Series 68-C:	
Serial bonds, due 2018 to 2026, interest from 1.15% to 2.65%	42,165,000
Term bonds, due 2031 to 2039, interest from 3.15% to 3.50%	107,565,000
	149,730,000
Unamortized bond premium	7,525,744
Subtotal	631,980,744
 Home Funding Bonds and Notes:	
Series 1-A:	
Serial bonds, due 2017 to 2021, interest from 3.375% to 4.125%	6,300,000
Term bonds, due 2024, interest at 4.25%	710,000
	7,010,000
Series 2, Subseries 2A:	
Term bonds, due 2041, interest at 3.16%	20,085,000
Series 2, Subseries 2B:	
Term bonds, due 2041, interest at 2.63%	16,880,000
Series 2, Subseries 2C:	
Term bonds, due 2041, interest at 2.73%	28,280,000
Series 3:	
Serial bonds, due 2017 to 2020, interest from 2.60% to 3.20%	4,280,000
Term bonds, due 2025, interest at 4.00%	6,180,000
	10,460,000
Series 4:	
Serial bonds, due 2017 to 2022, interest from 2.20% to 3.50%	4,755,000
Term bonds, due 2026, interest at 4.05%	3,890,000
	8,645,000
Series 5:	
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	29,435,000
Unamortized bond premium	565,485
Subtotal	121,360,485
 Total Single-Family Fund	 753,341,229

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

Multi-Family Fund:

Multi-Family Housing Bonds:

1995 Series A:	
Term bonds, due 2017, interest at 6.15%	140,000
1998 Series A:	
Term bonds, due 2018, interest at 5.375%	245,000
Subtotal	385,000

Housing Bonds:

2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	3,200,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	19,150,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	8,515,000
2007 Series A-1:	
Serial bonds, due 2017, interest at 4.35%	350,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	28,400,000
	28,750,000
2007 Series B-1A:	
Serial bonds, due 2017, interest at 4.50%	230,000
Unamortized bond discount	(93,742)
Subtotal	59,751,258

Multi-Family Funding Bonds:

2009 Series A, Subseries 2009A-1:	
Term bonds, due 2051, interest at 3.01%	51,000,000
2009 Series A, Subseries 2009A-2:	
Term bonds, due 2051, interest at 2.32%	14,100,000
2010 Series A:	
Serial bonds, due 2017 to 2021, interest from 3.00% to 4.00%	3,260,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000
	18,810,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

2011 Series A:	
Serial bonds, due 2017, interest from 2.45% to 2.50%	180,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000
	<u>4,490,000</u>
Subtotal	88,400,000
 Multi-Family Development Bonds:	
2010 Series 1:	
Serial bonds, due 2017 to 2021, interest from 3.125% to 4.25%	370,000
Term bonds, due 2025, interest at 4.75%	405,000
	<u>775,000</u>
2013 Series 1-AB:	
Serial bonds, due 2017 to 2023, interest from 1.30% to 2.85%	3,315,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000
	<u>34,220,000</u>
2013 Series 2-T:	
Serial bonds, due 2017 to 2023, interest from 1.451% to 3.218%	13,605,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000
	<u>50,330,000</u>
2013 Series 3-B:	
Serial bonds, due 2017 to 2024, interest from 1.35% to 3.85%	265,000
Term bonds, due 2028 to 2043, interest from 4.375% to 5.10%	1,485,000
	<u>1,750,000</u>
2013 Series 3-C:	
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000
2013 Series 3-D:	
Serial bonds, due 2017 to 2024, interest from 1.85% to 4.35%	3,745,000
Term bonds, due 2024 to 2028, interest from 4.00% to 4.80%	12,625,000
	<u>16,370,000</u>
2013 Series 4-T:	
Serial bonds, due 2017 to 2018, interest from 2.224% to 2.774%	535,000
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	1,790,000
	<u>2,325,000</u>
2014 Series 2-T:	
Serial bonds, due 2017 to 2027, interest from 1.645% to 3.823%	16,695,000
2014 Series 3-A:	
Term bond, due 2018, interest at 1.35%	1,690,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

2014 Series 3-B:	
Serial bonds, due 2017 to 2025, interest from 0.90% to 2.95%	1,935,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000
	15,650,000
2016 Series 1-A:	
Term bonds, due 2044, interest from 0.80% to 1.05%	13,200,000
2016 Series 1-B:	
Serial bonds, due 2017 to 2026, interest from 0.625% to 2.650%	1,550,000
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000
	16,900,000
2016 Series 1-C:	
Serial bonds, due 2017 to 2026, interest from 0.625% to 3.00%	4,335,000
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000
	19,505,000
Unamortized bond discount	(40,606)
Subtotal	198,164,394
Multi-Family Mortgage Revenue Bonds:	
Series 2006 (University Heights Project):	
Term bonds, due 2039, interest at variable rate	26,700,000
Series 2006 (Sutterfield Project):	
Term bonds, due 2039, interest at variable rate	7,000,000
Series 2006 (The Groves):	
Term bonds, due 2040, interest at variable rate	28,350,000
Series 2015 (Charles Place):	
Note payable, due 2045, interest at 4.16%	25,441,357
Series 2016 (EPN):	
Note payable, due 2049, interest at 4.07%	15,700,000
Note payable, due 2019, interest at variable rate	3,143,399
	18,843,399
Subtotal	106,334,756
Total Multi-Family Fund	453,035,408
Total Bonds and Notes Payable	\$1,365,974,343

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At December 31, 2016, the Corporation may borrow up to a maximum of \$95,000,000 under various revolving loan agreements expiring between November 2017 and August 2017. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of \$24,000,000, has a variable interest rate, which was 2.022% at December 31, 2016. The outstanding remaining lines of credit of \$60,000,000 have fixed rates which range from 1.716% - 2.033% at December 31, 2016.

Homeownership Opportunity Bonds Series 46-T, 48-T, 63-T, and 66-B, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established weekly, monthly or quarterly, which range from 1.076% - 1.517% at December 31, 2016. Certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from .552% - .679% at December 31, 2016.

7. Commitments and Contingencies

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

Total credit exposure as a result of loan commitments at December 31, 2016 is as follows:

Operating Fund	\$ 71,730,095
Single Family Fund	14,822
Multi-Family Fund	1,006,601
Trust	921,626
Total	<u>73,673,144</u>

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

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next nine years for a total of \$4,470,136 subject to the availability of funds. As of December 31, 2016, \$2,038,524 has been paid under these contracts.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

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

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before December 31, 2016 because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

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

At December 31, 2016, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$43,233,436 and fair values totaling \$1,092,535 were outstanding. The fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$15,000,000 and fair values totaling \$76,162. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the six months ended December 31, 2016, totaled \$524,462. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of December 31, 2016, the plan included 24 retirees, 21 of which are receiving benefits, and 217 active employees.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the six months ended December 31, 2016, plan members receiving benefits contributed \$11,405 as their required contribution.

The annual OPEB cost and related information for the three months ended December 31, 2016, are as follows:

Annual required contribution (ARC)	\$ 254,956
Interest on OPEB obligation	93,550
Adjustments to ARC	(86,672)
Annual OPEB cost	<u>261,834</u>
Net estimated employer contributions	<u>(34,247)</u>
Increase (decrease) in net OPEB obligation	227,587
Net OPEB obligation, beginning of period	<u>4,157,746</u>
Net OPEB obligation, end of period	<u>\$ 4,385,333</u>
Percent of annual OPEB cost contributed	13.1%

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

The net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying statements of net position. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three preceding fiscal years ended June 30 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	(60,471)	30,495	(50.4%)	3,352,085
June 30, 2015	386,364	31,777	8.2%	3,706,672
June 30, 2016	507,322	56,248	11.1%	4,157,746

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,352,085 as of June 30, 2014, the most recent actuarial valuation date. As of December 31, 2016, the unfunded accrued liability as a percentage of covered payroll of \$5,853,117 was 71%.

Actuarial Methods and Assumptions

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50%, payroll growth of 3.00% and a 30 year open amortization period. The initial annual healthcare cost trend rate used was 7.50%, declining to an ultimate rate of 4.50% after 12 years.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Six Months Ended December 31, 2016

10. Subsequent Events

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

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
January 1, 2017	Homeownership Opportunity Bonds	\$ 16,145,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
December 31, 2016

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Totals
Assets			
Loans receivable	\$ 654,817,274	\$ 43,655,379	\$ 698,472,653
Less allowance for loan losses	(12,158,957)	-	(12,158,957)
Loans receivable, net	<u>642,658,317</u>	<u>43,655,379</u>	<u>686,313,696</u>
Investments	13,259,488	72,174,680	85,434,168
Accrued interest-loans	2,286,905	149,266	2,436,171
Accrued interest-investments	76,757	226,507	303,264
Cash and cash equivalents	94,931,253	12,705,664	107,636,917
Other assets, net	6,232,968	799,917	7,032,885
Interfund receivable	-	18,597	18,597
Total assets	<u>759,445,688</u>	<u>129,730,010</u>	<u>889,175,698</u>
Deferred Outflows of Resources			
Loan origination costs	4,886	-	4,886
Total Deferred outflows of resources	<u>4,886</u>	<u>-</u>	<u>4,886</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 759,450,574</u>	<u>\$ 129,730,010</u>	<u>\$ 889,180,584</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 631,980,744	\$ 121,360,485	\$ 753,341,229
Accrued interest payable on bonds and notes	4,760,511	983,621	5,744,132
Fees, net	179,310	-	179,310
Total liabilities	<u>636,920,565</u>	<u>122,344,106</u>	<u>759,264,671</u>
Net Position			
Net position, restricted	<u>122,530,009</u>	<u>7,385,904</u>	<u>129,915,913</u>
Total Liabilities and Net Position	<u>\$ 759,450,574</u>	<u>\$ 129,730,010</u>	<u>\$ 889,180,584</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Six Months Ended December 31, 2016

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Total
Operating revenues:			
Interest income on loans	\$ 15,010,264	\$ 932,937	\$ 15,943,201
Earnings on investments:			
Interest on investments	432,906	1,500,112	1,933,018
Net decrease in fair value of investments	(448,249)	(1,621,728)	(2,069,977)
Total operating revenues	14,994,921	811,321	15,806,242
Operating expenses:			
Interest expense	10,125,216	1,927,057	12,052,273
Provision for loan losses	2,000,000	-	2,000,000
REO expenditures	223,405	(18,000)	205,405
Bond issuance costs	1,300,895	-	1,300,895
Depreciation and amortization of other assets	1,128	2,544	3,672
Loan costs	129	-	129
Total operating expenses	13,650,773	1,911,601	15,562,374
Operating income (loss)	1,344,148	(1,100,280)	243,868
Transfers in (out)	(322,759)	(1,200,000)	(1,522,759)
Total change in net position	1,021,389	(2,300,280)	(1,278,891)
Net position, beginning of period	121,508,620	9,686,184	131,194,804
Net position, end of period	\$ 122,530,009	\$ 7,385,904	\$ 129,915,913

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
December 31, 2016

	<u>Multi-Family Housing Bond Program</u>	<u>Housing Bond Program</u>	<u>Multi-Family Mortgage Revenue Bond Program</u>
Assets			
Loans receivable	\$ 853,292	\$ 61,633,861	\$ 106,334,756
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>853,292</u>	<u>61,633,861</u>	<u>106,334,756</u>
Investments	17,924,830	2,340,362	-
Accrued interest-loans	5,475	397,394	159,139
Accrued interest-investments	20,611	75,137	-
Cash and cash equivalents	637,104	12,225,758	4,734,456
Total assets	<u>19,441,312</u>	<u>76,672,512</u>	<u>111,228,351</u>
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 19,441,312</u>	<u>\$ 76,672,512</u>	<u>\$ 111,228,351</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 385,000	\$ 59,751,258	\$ 106,334,756
Accrued interest payable on bonds and notes	10,890	417,419	183,635
Accounts payable and accrued liabilities	-	172,505	-
Escrow deposits	-	-	4,740,528
Total liabilities	<u>395,890</u>	<u>60,341,182</u>	<u>111,258,919</u>
Net Position			
Net position, restricted	<u>19,045,422</u>	<u>16,331,330</u>	<u>(30,568)</u>
Total Liabilities and Net Position	<u>\$ 19,441,312</u>	<u>\$ 76,672,512</u>	<u>\$ 111,228,351</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
December 31, 2016

	<u>Multi-Family Funding Bond Program</u>	<u>Multi-Family Development Bonds</u>	<u>Multi-Family Fund Total</u>
Assets			
Loans receivable	\$ 88,456,140	\$ 204,373,622	\$ 461,651,671
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>88,456,140</u>	<u>204,373,622</u>	<u>461,651,671</u>
Investments	-	3,007,490	23,272,682
Accrued interest-loans	470,862	1,089,867	2,122,737
Accrued interest-investments	-	19,535	115,283
Cash and cash equivalents	8,230,647	26,282,629	52,110,594
Total assets	<u>97,157,649</u>	<u>234,773,143</u>	<u>539,272,967</u>
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 97,157,649</u>	<u>\$ 234,773,143</u>	<u>\$ 539,272,967</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 88,400,000	\$ 198,164,394	\$ 453,035,408
Accrued interest payable on bonds and notes	735,882	1,737,865	3,085,691
Accounts payable and accrued liabilities	-	190,640	363,145
Escrow deposits	-	-	4,740,528
Total liabilities	<u>89,135,882</u>	<u>200,092,899</u>	<u>461,224,772</u>
Net Position			
Net position, restricted	<u>\$ 8,021,767</u>	<u>\$ 34,680,244</u>	<u>\$ 78,048,195</u>
Total Liabilities and Net Position	<u>\$ 97,157,649</u>	<u>\$ 234,773,143</u>	<u>\$ 539,272,967</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Six Months Ended December 31, 2016

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Operating revenues:			
Interest income on loans	\$ 33,057	\$ 2,173,489	\$ 1,239,370
Earnings on investments:			
Interest on investments	578,181	118,586	-
Net increase (decrease) in fair value of investments	-	(100,120)	-
Total operating revenues	611,238	2,191,955	1,239,370
Operating expenses:			
Interest expense	10,889	964,716	1,026,131
Other administrative expenses	579	25,352	-
Arbitrage rebate	-	(61,006)	-
Loan costs	-	259,284	-
Total operating expenses	11,468	1,188,346	1,026,131
Operating income	599,770	1,003,609	213,239
Transfers in (out)	(2,200,000)	259,284	(145,061)
Total change in net position	(1,600,230)	1,262,893	68,178
Net position, beginning of period	20,645,652	15,068,437	(98,746)
Net position, end of period	\$ 19,045,422	\$ 16,331,330	\$ (30,568)

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Six Months Ended December 31, 2016

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Total
Operating revenues:			
Interest income on loans	\$ 2,829,943	\$ 6,646,235	\$ 12,922,094
Income on investments:			
Earnings on investments	11,212	123,996	831,975
Net increase (decrease) in fair value of investments	-	(130,472)	(230,592)
Total operating revenues	2,841,155	6,639,759	13,523,477
Operating expenses:			
Interest expense	1,475,362	3,748,125	7,225,223
Arbitrage rebate	-	(91,878)	(152,884)
Loan costs	54,199	76,641	390,124
Total operating expenses	1,529,561	3,732,888	7,488,394
Operating income	1,311,594	2,906,871	6,035,083
Transfers in (out)	(1,328,300)	254,457	(3,159,620)
Total change in net position	(16,706)	3,161,328	2,875,463
Net position, beginning of period	8,038,473	31,518,916	75,172,732
Net position, end of period	\$ 8,021,767	\$ 34,680,244	\$ 78,048,195

CERTAIN DEFINITIONS

“*Account*” means one of the special accounts created and established pursuant to the Resolution.

“*Accountant*” means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by Rhode Island Housing and may be the accountant or firm of accountants who regularly audits the books and accounts of Rhode Island Housing.

“*Act*” means Chapter 55 of Title 42 of the General Laws of Rhode Island 1956 (2006 Reenactment), as amended.

“*Aggregate Debt Service*” means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

“*Appreciation Bond*” means any Bond whose Issuance Amount is less than 97.5% of the Maturity Amount.

“*Authorized Officer*” means the Chairman, Executive Director, Deputy Director—Finance, Controller, Treasurer and Portfolio Manager of Rhode Island Housing and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of Rhode Island Housing then authorized to perform such act or discharge such duty.

“*Bond*” means one of the Bonds to be authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds to be issued pursuant to the Resolution.

“*Bond Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by Rhode Island Housing and satisfactory to the Trustee.

“*Bond Proceeds Account*” means the Bond Proceeds Account established pursuant to the Resolution.

“*Bondholder*” or “*holder*” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

“*Cash Equivalent*” means a Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (as defined and provided for in a Supplemental Resolution authorizing the issuance of Bonds), or which is provided by an institution whose unsecured debt securities are assigned to a rating category which does not have an adverse impact on the rating category to which the Bonds are assigned by a nationally recognized rating agency at the time of the issuance of such Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (or the highest rating of short-term obligations if the Cash Equivalent is a short-term instrument).

“*Certificate*” means (a) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Resolution or (b) the report of an Accountant as to audit or other procedures called for by the Resolution.

“*Compounded Amount*” means as of any particular date of calculation with reference to any Appreciation Bond, either (a) the applicable Compounded Amount for such date established by Rhode Island Housing in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to the Resolution or (b) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issuance Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to the Resolution. Any determination of Compounded Amount shall assume straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable or reimbursable by or to Rhode Island Housing and related to the authorization, sale or issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial fees for letters of credit and any other costs, charges or fees in connection with the original issuance of Bonds.

“*Debt Service*” means, with respect to payments to be made during any particular Fiscal Year and, where appropriate, to the Bonds of any particular Series, an amount equal to the sum of (a) all interest payable on such Bonds during such Fiscal Year, plus (b) any Principal Installments of such Bonds during such Fiscal Year.

“*Debt Service Reserve Account*” means the Debt Service Reserve Account established pursuant to the Resolution.

“*Debt Service Reserve Account Requirement*” means an amount equal to the aggregate amounts for each Series established in the Supplemental Resolution authorizing such Series of Bonds. In evaluating compliance with the Debt Service Reserve Fund Requirement, there shall be taken into account any amount provided in a Supplemental Resolution to be deposited in the Debt Service Reserve Account from amounts on deposit in the Bond Proceeds Account.

“*Depositary*” means any bank or trust company or national banking association selected by Rhode Island Housing or the Trustee (with the consent of Rhode Island Housing) as a depositary of moneys or securities held under the provisions of this Resolution and may include the Trustee or any Paying Agent.

“*Escrow Payments*” means and includes all amounts paid directly to Rhode Island Housing or to the servicer of any Mortgage Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to a Mortgage Loan or the mortgaged premises or payments required by any Mortgage Loan in connection with real estate taxes, assessments, water charges, sewer rents, casualty or other insurance, replacement or operating reserves or other like payments in connection therewith.

“*Event of Default*” means any of the events specified in the Resolution.

“*FHA*” means the Federal Housing Administration within the United States Department of Housing and Urban Development.

“*Fiduciary*” means the Trustee, the Paying Agent, and any Depository or any or all of them as may be appropriate.

“*Final Compounding Date*” means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a periodic basis.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year.

“*HUD*” means the United States Department of Housing and Urban Development.

“*Interest Payment Date*” means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

“*Internal Rate of Return,*” when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to the Resolution and compounded on each Interest Payment Date therefor, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest, if any, on each Interest Payment Date therefor on such Bond which is payable on the Interest Payment Dates therefor.

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

direct obligations of or obligations guaranteed by the United States of America;

[intentionally omitted];

any bond, debenture, note, participation certificate or other similar obligation issued by a federal agency and backed by the full faith and credit of the United States of America;

Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged provided that such obligations are rated at least A1/P1;

deposits in interest-bearing time or demand deposits, certificates of deposit, repurchase agreements or similar banking arrangements made, acquired or entered into in accordance with the section of the Resolution regarding deposits, and, if longer than 90 days, rated at least A1/P1;

money market funds which invest in Government Obligations or federal agency securities and which funds have been rated in either of the two highest rating categories by the Rating Agency; and

any investments authorized in a Supplemental Resolution.

Provided that, it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted which Rhode Island Housing deems from time to time to be in the interests of Rhode Island Housing to include as Investment Securities if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then existing rating or ratings assigned to them by any nationally recognized rating agency which maintains a rating on the Bonds.

“*Issuance Amount*” means the price, exclusive of accrued interest (if any) which is payable within the next twelve months, at which a Bond was offered for sale to the public (or the price of such Bond to the initial Purchaser if not publicly sold) at the time of issuance thereof by Rhode Island Housing pursuant to the Resolution, which shall be set forth or provided for in a Supplemental Resolution, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, costs of issuance, or similar costs.

“*Maturity Amount*” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on the Interest Payment Dates therefor.

“*Mortgage*” means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan.

“*Mortgage Loan*” means loans for multi-family housing financed from amounts in the Bond Proceeds Account, and includes the Mortgage and the promissory note or notes securing such Mortgage, evidencing any such Mortgage Loan.

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

(a) any Bond cancelled by a Fiduciary or delivered to a Fiduciary for cancellation at or prior to such date;

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

moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, when due, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

Investment Securities, as described in the Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, when due, together with accrued interest on such Bond to the payment date or Redemption Date,

which payment or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

any combination of (i) and (ii) above;

(c) any bond in lieu of or in substitution or exchange for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

(d) any bond deemed to have been paid as provided in the Resolution.

“*Paying Agent*” means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

“*Permitted Encumbrances*” means (a) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to Rhode Island Housing, indemnity has been provided or similar steps to secure the interest of Rhode Island Housing have been taken, (b) ad valorem property taxes ratably accrued but not yet due and payable, (c) severed mineral estates or interests owned by others, and (d) such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as Rhode Island Housing determines will not impair the habitability or value of the premises or the ability to realize the benefits of any insurance.

“*Pledged Receipts*” means (a) the scheduled or other payments required by any Mortgage Loan and paid to Rhode Island Housing from any source, including both timely and delinquent payments with late charges, (b) any extension privilege payment required in connection with delays in construction, cost certification or initial occupancy of the residential housing being financed by any Mortgage Loan, (c) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the Resolution (except the Rebate Account), (d) net income received with respect to any Acquired Development as provided in the section of the Resolution regarding Rhode Island Housing’s covenant with respect to the Program and (e) any other amounts set forth in the Supplemental Resolution authorizing a Series of Bonds, but shall not mean or include Recoveries of Principal, any payments with respect to any Mortgage Loan received or accrued prior to the date that Revenues therefrom are pledged under the Resolution, Escrow Payments or any amount retained by the servicer of any Mortgage Loan, if there be one other than Rhode Island Housing, as financing or settlement fees payable at the time of initial disbursement of a Mortgage Loan.

“*Principal Installment*” means, as of any date of calculation, (a) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Payments payable before such future date plus (b) the unsatisfied balance, determined as provided in the Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

“*Program*” means the program for the financing of loans for multi-family housing and related purposes permitted pursuant to the Act, as the same may be amended from time to time consistent with the Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to the Resolution.

“*Program Expenses*” means all Rhode Island Housing’s expenses in carrying out and administering its Program under the Resolution and shall include, without limiting the generality of the

foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishing, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Program. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs, a reasonable reserve for losses and expenses estimated to be incurred by Rhode Island Housing and amounts appropriated to reimburse Rhode Island Housing for Program Expenses paid from other sources.

“*Rebate Account*” means the Rebate Account established pursuant to the Resolution.

“*Record Date*” means the date ten days (i) next preceding on Interest Payment Date, or (ii) in the case of any proposed redemption of Bonds, next preceding the date of the first redemption of Bonds.

“*Recoveries of Principal*” means all amounts received by Rhode Island Housing as a recovery of the principal amount disbursed by Rhode Island Housing in connection with any Mortgage Loan including any premium or penalty with respect thereto, on account of (a) the advance payment of amounts to become due pursuant to such Mortgage Loan, (b) the sale, assignment, endorsement or other disposition thereof, (c) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (d) proceeds of mortgage insurance or the net proceeds of hazard or title insurance or (e) proceeds of condemnation.

“*Redemption Account*” means the Redemption Account established pursuant to the Resolution.

“*Redemption Date*” means the date upon which Bonds are to be called for redemption pursuant to the Resolution.

“*Redemption Price*” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“*Refunding Bond*” means any Bond authenticated and delivered on original issuance pursuant to the Resolution or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to the Resolution.

“*Resolution*” means the General Multi-Family Development Program Resolution, adopted by Rhode Island Housing on November 19, 2009, and any amendments or supplements made in accordance with its terms.

“*Revenue Account*” means the Revenue Account established pursuant to the Resolution.

“*Revenues*” means the Pledged Receipts and Recoveries of Principal.

“*Rhode Island Housing*” means the Rhode Island Housing and Mortgage Finance Corporation, a public corporation and instrumentality and agency, created and existing under the laws of the State, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of Rhode Island Housing.

“*Series*” means all Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions,

and any Bonds thereafter authenticated and delivered in lieu of or in substitution or exchange for (but not to refund) such Bonds as provided in the Resolution.

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

“*State*” means the State of Rhode Island and Providence Plantations.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Resolution, adopted by Rhode Island Housing and effective in accordance with the Resolution.

“*Trustee*” means the trustee designated in the Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the Resolution.

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FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS

The FHA Insurance Program – The FHA Risk-Sharing Program

The following is a brief description of the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, (the “Risk-Sharing Act”) of Title II of the National Housing Act, as amended, and is qualified in its entirety by reference to the National Housing Act and the Risk-Sharing Act and the regulations thereunder.

The Risk-Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Housing Act. The FHA Risk-Sharing Program established by the Risk-Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The FHA Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the FHA Risk-Sharing Program include new construction projects, substantial rehabilitation projects, acquisition of existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must constitute “affordable housing,” which means that either 20% or more of the units are rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or that 40% or more of the units are rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the income limitation applicable to the unit as published from time to time by HUD.

Rhode Island Housing has been designated by HUD as a “qualified HFA” under the Risk Sharing Act. Rhode Island Housing has entered into a risk-sharing agreement with HUD dated as of June 27, 1994 (the “Risk Sharing Agreement”). Rhode Island Housing has received both “Level I” and “Level II” approvals under the Regulations. A Level I approval requires Rhode Island Housing to reimburse HUD for up to 50% of any loss incurred as a result of a default under a mortgage loan but permits Rhode Island Housing to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application). A Level II approval permits Rhode Island Housing to insure less than 50% of any

losses on the mortgage loan and HUD has agreed to allow Rhode Island Housing to use its own underwriting standards and loan terms and conditions for Level II loans. For all of the Mortgage Loans financed by prior Bonds (other than Cornplanter Row and the second Mortgage Loan for Coddington Point), all of the Transferred Mortgage Loans (other than the second Mortgage Loan for Hillcrest Manor) and the Mortgage Loan anticipated to be funded with proceeds of the 2017 Series 1-B Bonds, Rhode Island Housing is assuming 50% of the risk; Rhode Island Housing is assuming 100% of the risk for the Mortgage Loans relating to the 2017 Series 1 Developments expected to be funded with proceeds of the 2017 Series 1-A Bonds, the Transferred Mortgage Loan of the second Mortgage Loan for Hillcrest Manor, the Mortgage Loan relating to Cornplanter Row and the second Mortgage Loan relating to Coddington Point (see **APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS** herein).

Rhode Island Housing will authorize the use of the FHA Risk-Sharing Program in connection with new Mortgage Loans financed by Bonds on a case-by-case basis.

FHA Insurance under the FHA Risk-Sharing Program with respect to any mortgage loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) Rhode Island Housing acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than Rhode Island Housing acquires property at a foreclosure sale; (4) Rhode Island Housing notifies the Commissioner of a voluntary termination; (5) Rhode Island Housing or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by Rhode Island Housing; or (7) Rhode Island Housing acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the HFA must take responsibility for certain functions, including those relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the HFA and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by Rhode Island Housing. Although Rhode Island Housing has been given authority to approve cost certifications by a mortgagor, HUD has the authority, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations define an event of default under an FHA-insured mortgage as (1) a failure to make any payment due under the mortgage or (2) a failure to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage) if the mortgagee, because of such failure, has accelerated the debt. A mortgagee is entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or Rhode Island Housing has filed an application for an initial claim payment. Unless a written extension is granted by HUD, Rhode Island Housing must file an application for initial claim payment (or, if appropriate, for

partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of Rhode Island Housing, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where Rhode Island Housing certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to Rhode Island Housing is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. **Rhode Island Housing must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms for the mortgages within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment shall be returned to HUD within 30 days of the retirement. Within 30 days of the initial claim payment, Rhode Island Housing must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing Rhode Island Housing's obligation to HUD under its Risk-Sharing Agreement.

In determining the mortgage note interest component of the initial claim amount, if Rhode Island Housing fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. Losses sustained as a consequence of the sole negligence of Rhode Island Housing will be the sole obligation of Rhode Island Housing, notwithstanding the risk apportionment otherwise agreed to by HUD and Rhode Island Housing.

When FHA pays a claim, the Risk-Sharing Agreement provides that Rhode Island Housing will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of Rhode Island Housing. Each Debenture will have a term of five years, will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk-Sharing Act contemplates that during the five year term of each Debenture, Rhode Island Housing would work toward curing the default, foreclosure or resale of the related development. Upon the due date of each Debenture, the total loss to be shared by Rhode Island Housing and HUD shall be computed pursuant to the Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure or (2) expiration of the term of the Debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and risk-sharing agreement.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

Section 8 Housing Assistance Payments Program

Section 8 of the Housing Act, as amended by the Housing and Community Development Act of 1974, established a federal housing assistance program of federal assistance for multifamily housing

developments of the type that Rhode Island Housing finances under its Program (each, a “Section 8 Development”). The Section 8 program involves the distribution of housing assistance payments to the owners of housing developments assisted under such program. The Section 8 program is administered on the federal level by HUD. The housing assistance payments program for each Section 8 Development currently is administered at the state level by Rhode Island Housing (in such role, the “Contract Administrator”); no assurances can be given that Rhode Island Housing will continue to administer such housing assistance payments program at the state level.

Pursuant to regulations issued by HUD under the Section 8 program during the period 1975-1984, HUD granted “set-asides” for state housing agencies (i.e., reservations of annual housing assistance payments under the Section 8 program) which an agency, with HUD approval, can allocate to developments according to its own housing program. As provided in the regulations, HUD reserved a portion of such set-asides for the State of Rhode Island to be used in connection with the new construction or substantial rehabilitation of housing.

Eligible tenants for rental units assisted under the Section 8 program, as implemented by the Contract Administrator, are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. HUD regulations define the term “family” to include elderly, disabled, handicapped or displaced single persons and, under certain limited conditions, other single persons. In the State of Rhode Island, 50% of median income ranges vary among geographic location and family size; a sample of such income ranges is below.

Location	Low (1 person)	High (Family of 8)
Providence	\$25,500	\$48,050
Westerly	\$27,650	\$52,100
Newport	\$31,550	\$59,500

Section 8 housing assistance payments are provided, in the case of developments that are permanently financed by Rhode Island Housing and that utilize a portion of the Contract Administrator’s annual set-asides of Section 8 contract authority, through an Annual Contributions Contract (“ACC”) between HUD and the Contract Administrator and a Housing Assistance Payment Contract (“HAP Contract”) between the Contract Administrator and the owner of the assisted development. Pursuant to the ACC, the Contract Administrator will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance payments to the owner of the development under the HAP Contract. However, each year of rental assistance is subject to annual appropriation and spending authorization in the federal budget.

The amount of the subsidy payable to the Contract Administrator for the account of the owner under the HAP Contract is the applicable contract rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income, with a minimum rent for all tenants. HUD has implemented a \$25 minimum rent for most families (HUD Notice H 96-89). Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Contract Administrator to the owner in the form of HAP Contract Payments. The proportion of the contract rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy

period not exceeding 60 days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. Such payments for vacancies will be reduced to the extent the owner receives payment from the tenant for such vacancy period or the owner is otherwise entitled to payments from any other source, including a security deposit, for the vacant unit. In addition, if a unit continues to be vacant after this 60-day period, the owner may receive additional payments of up to one year for each vacancy equal to the principal and interest payments required to amortize the debt attributable to that unit, provided that (a) the unit is in decent, safe and sanitary condition during the vacancy period, (b) the owner has taken and continues to take all feasible actions to fill the vacancy, (c) the development is not providing the owner with revenues equal to costs incurred and the amount of the payments do not exceed the deficiency and (d) the owner submits a statement with supporting evidence satisfactory to HUD (or the Contract Administrator) that the development can achieve financial soundness within a reasonable time. HUD (or the Contract Administrator) may deny any claim for additional payments if it determines that, based on the owner's statement and other evidence, there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Housing assistance payments are not payable with respect to units that are occupied by tenants who are not eligible for Section 8 assistance. However, if the dwelling unit is subsequently reoccupied by an eligible tenant, housing assistance payments will again become available to the owner unless the HAP Contract has been modified in the interim by deleting that dwelling unit from its coverage.

The Contract Administrator is permitted, but not required, to delete from the HAP Contract any units that the owner fails, for substantial periods of time, to lease or make available for lease by eligible tenants. Rhode Island Housing mortgage loan documents prohibit the owner from leasing more than 20% of the dwelling units to ineligible tenants without prior approval from Rhode Island Housing

HUD's Section 8 regulations and the ACCs provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually pursuant to a HUD-established automatic annual adjustment factor. Under the Housing Act, the annual adjustment factor is applied on the anniversary date of each HAP Contract, resulting in upward or downward adjustment, except that contract rents may not be reduced below the contract rents in effect on or after April 15, 1987, for newly constructed or substantially rehabilitated projects, unless the project has been refinanced in a manner that reduces the periodic payment of the owner. However, pursuant to federal legislation enacted in 1997, contract rents may not be increased beyond HUD Fair Market Rents (as described below) plus the differential between the initial contract rent and comparable rents at the time of execution of the HAP Contract (the "Initial Difference"), unless the owner submits evidence of higher comparable market rents as determined by independent appraisals of at least three comparable local developments. Special additional adjustments may be approved by HUD to reflect actual and necessary expenses of owning and maintaining the development that have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that such general increases are not compensated for by the automatic annual adjustment. Adjustments, however, are limited to 120% of the HUD Fair Market Rents plus the Initial Difference. Present HUD policy also provides that the annual adjustment factors for Section 8 units which experienced no turnover in tenants since the preceding HAP Contract anniversary date will be one percentage point less than the annual adjustment factors that would otherwise apply. Consequently, there can be no assurance that increases in contract rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Each year, HUD publishes its determination of fair market rents ("HUD Fair Market Rents"). Such HUD Fair Market Rents constitute HUD's determination of the rents, including utilities (except telephone), ranges and refrigerators, parking and all maintenance, management and other essential housing services, which would be required to obtain, in a particular market area, privately developed and owned rental housing of modest design with suitable amenities.

The following table sets forth the range of monthly rents for the Section 8 Developments effective on October 1, 2016 based on unit size and the current range of HUD Fair Market Rents in Rhode Island:

**Range of Section 8 Development Monthly Rents and HUD Fair Market Rents
For the Program Developments**

	One Bedroom	Two Bedrooms	Three Bedrooms
Section 8 Developments	\$905-1,060	\$1,090-1,350	\$1,365-1,965
HUD Fair Market Rents	\$827-968	\$994-1,229	\$1,244-1,789

In the last decade there have been several court decisions with respect to the Section 8 program and the limitations on contract rent adjustments. Generally, the courts have upheld HUD’s right to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units which are greater than the Initial Difference.

At this time, Rhode Island Housing is unable to predict what actions, if any, HUD or the Congress will take in the future with respect to such rent adjustments. Actions by HUD in the future could have the effect of limiting upward adjustments in contract rents or of decreasing contract rents currently in effect to eliminate any material difference between the contract rents and rents charged for comparable unassisted units, except to the extent of the Initial Differences. Such actions, if taken, could adversely affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of Rhode Island Housing to make timely payments of interest and principal on the Bonds with amounts pledged under the Resolutions. Congress has passed legislation and HUD has implemented procedures to restrict contract rent increases above fair market rents for each fiscal year since 1995. Any of the actions mentioned above could adversely affect the ratings on, and the market price of, the 2017 Series 1 Bonds.

The maximum total annual contribution that may be contracted for in an ACC will equal the initial gross rents for all assisted units in the development. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the gross rents payable by the tenants) is available to be set aside by HUD in an account (the “project account”) for the particular development and will be available for future years to fund increases in contract rents for the development or decreases in family incomes. If and when a project account falls below 40% of the maximum annual commitment, HUD undertakes in the ACC to provide additional funding, to the extent permitted by law, in order to increase the maximum annual contribution payable under the ACC.

Subsection (c)(6) of Section 8 provides:

The Secretary [of HUD] shall take steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

In practice, HUD has not been replenishing the project accounts when the amounts in such project accounts have fallen below 40% of the maximum annual commitment, but has sought and received amendment authority from the Congress to enable it to discharge its obligations under the HAP Contracts and the ACCs.

Although the Section 8 housing assistance payments are made directly or indirectly to the owner and, in effect, represent rental income, the HAP Contract may, with HUD's approval, be pledged by the owner to Rhode Island Housing as mortgage lender on the development. All of the HAP Contracts covering Rhode Island Housing's Section 8 Developments have been so pledged. However, the owner will retain the right to collect such payments so long as the owner is in compliance with the provisions of the HAP Contract and Rhode Island Housing Mortgage Loan documents. Rhode Island Housing's rights to receive Section 8 subsidy payments with respect to the developments have been pledged and assigned to the Trustee as part of the security for the Bonds. Under federal laws, the United States government may have the right to set off liabilities of Rhode Island Housing to the United States against the payments under ACCs. Housing assistance payments by HUD do not terminate if the mortgage on the development goes into default, so long as the owner has not breached any of its obligations under the HAP Contract, including, among other responsibilities, its obligation to maintain and operate the development so as to provide decent, safe and sanitary housing. In the event of breach by the owner, HUD may abate or terminate housing assistance payments after giving the owner and the Contract Administrator an opportunity to take corrective action.

Portfolio Restructuring

In the late 1990's there were numerous pronouncements from HUD and various elected officials as to the future of HUD and the various programs operating pursuant to Section 8. These pronouncements primarily concerned those projects which have mortgages insured by the Federal Housing Administration ("FHA") with terms ranging from 30 to 40 years and which have HAP Contracts with terms of approximately 20 years. In 1998 HUD was authorized to initiate a permanent program to restructure FHA-insured mortgage loans with expiring HAP Contracts; in 2000, federal legislation was enacted to permit such mortgages financed by state housing agencies (like Rhode Island Housing) to also be restructured but only if the same is not contrary to the terms of the mortgage agreements.

At this time, Rhode Island Housing cannot predict the terms of further legislation, if any, which may be enacted which may restructure and change HUD, its administration or its programs (including the Section 8 program) and the funding of HUD and its programs. Rhode Island Housing cannot predict whether any such legislation, if enacted, would adversely affect the ability of Rhode Island Housing to make timely payments of principal and interest on the 2017 Series 1 Bonds, with amounts pledged under the Resolution.

Section 236 Program

Interest Subsidy. Under the Section 236 subsidy program, HUD agrees to make direct mortgage interest reduction subsidy payments to the mortgagee on behalf of the owner of the project, in an amount equal to that portion of the debt service required under the actual 40-year mortgage loan which is in excess of that debt service which would be due on a self-amortizing 40-year mortgage loan in the same principal amount with an interest rate of 1% per annum.

Since the initiation of the Section 236 program in 1973, HUD and Rhode Island Housing have agreed to certain modifications of the administrative procedures with respect to the Section 236 subsidy agreements among HUD, Rhode Island Housing and various developers. These modifications were requested to provide greater flexibility in the event a development financed by Rhode Island Housing and

subsidized under Section 236 experienced financial difficulties. The following description of the provisions of the Section 236 Agreement incorporates the provisions of such modifications of the administrative procedures.

Under Section 236, subsidy payments with respect to a project shall only be made during the period of the Section 236 subsidy agreement that such project is operated as a rental housing project.

The form of project mortgage provides that the mortgagor must maintain hazard insurance on the project with such coverage and in such amounts as are satisfactory to FHA and the mortgagee, and in the event of any damage to the project all insurance proceeds are payable to Rhode Island Housing as mortgagee. In the event any dwelling unit is destroyed or rendered uninhabitable by reason of fire or any other insured risk, Rhode Island Housing has the right to determine if the proceeds of insurance will be used for restoration or applied to the redemption of Bonds. In the event Rhode Island Housing determines that such restoration or rehabilitation is not appropriate, HUD subsidy payments may be reduced to the extent applicable to such dwelling units not restored or rehabilitated.

HUD is obligated to make subsidy payments under the Section 236 program, except under the circumstances described below. If HUD subsidy payments are terminated, HUD may reinstate them at its discretion pursuant to such additional requirements as HUD may prescribe. A Section 236 subsidy agreement may be terminated at the option of, and upon written notice from, HUD after the expiration of one year from the date of the termination of HUD subsidy payments, unless such payments have been reinstated.

Under the provisions of the Section 236 subsidy agreement, HUD may terminate subsidy payments with respect to a project upon default under the Section 236 subsidy agreement by the mortgagor or Rhode Island Housing or the institution by Rhode Island Housing of foreclosure proceedings unless Rhode Island Housing (a) gives to HUD in advance written notice of its intention to institute such foreclosure, and (b) submits to HUD in advance a plan acceptable to HUD providing for the continuity of eligibility of the project for receiving the benefits of Section 236.

HUD may terminate subsidy payments with respect to a project if the project is acquired by an owner who is not an eligible mortgagor under Section 236. Each mortgagor has covenanted not to transfer a project except to an eligible mortgagor, and has covenanted in the Section 236 mortgage not to transfer the project without the consent of Rhode Island Housing.

Under Section 236, the mortgagor is permitted to charge (a) a basic or subsidized rental charge for each subsidized dwelling unit in the project (the "basic rent"), determined on the basis of the anticipated operating costs of the project and the payment that would have been required for principal and interest if the Section 236 mortgage note called for interest at a rate of 1% per annum, and (b) a fair market rental charge for each such unit, determined on the basis of the anticipated operating costs of the project and payment of principal and interest that the mortgagor is obligated to pay under the Section 236 mortgage. The rent charged for each subsidized unit (the "tenant unit") is the greater of the basic rent or 25% of the tenant's adjusted monthly income, but in no event may the mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Tenant rents may not be increased as a consequence of a mortgage being foreclosed and a substitute mortgage entered into. The mortgagor is required to remit monthly to HUD all tenant rents for subsidized units collected in excess of the basic rent, provided that in certain circumstances such excess rents may, with HUD's consent, be used for project related purposes. Among HUD's numerous potential remedies against the mortgagors who do not remit excess rents are the suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will use against affected mortgagors.

The mortgagor covenants in the Section 236 subsidy agreement to limit admission to the subsidized dwelling units of the project to those families whose incomes do not exceed the applicable limits prescribed by HUD. The Section 236 subsidy agreement contains other covenants relating to the preference for occupancy for certain displaced or low-income families, the compliance with applicable civil rights prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and number of subsidized units which may be rented to any one tenant at any one time. HUD has the authority to suspend or terminate subsidy payments at any time upon default by the mortgagor under any such covenants as well as or upon any other default by the mortgagor or Rhode Island Housing on the terms of and conditions of the Section 236 subsidy agreement.

FHA Insurance on Section 236 Loans. The Federal Housing Administration has insured Rhode Island Housing's Section 236 mortgage loans pursuant to Section 236 of the National Housing Act. Applicable FHA regulations are contained in 24 C.F.R. Part 236 which, with certain exceptions (requiring payment of insurance benefits in cash or FHA Debentures, at the option of the mortgagee), incorporates by reference the provisions of 24 C.F.R. Part 207 (covering mortgages insured under Section 207 of the National Housing Act). The following summary is qualified in its entirety by reference to those regulations and sections of the National Housing Act.

The National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing and FHA regulatory agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days the mortgagee (Rhode Island Housing) must give notice to FHA of the default and of its intention to file an insurance claim. Promptly thereafter, unless FHA agrees otherwise, the mortgagee will take the necessary steps to file a claim for insurance. Under FHA regulations, the mortgagee may either assign the mortgage note (and the mortgage) to FHA or acquire title to the project by foreclosure and convey it to FHA. If Rhode Island Housing were to acquire title to the project and convey it to FHA, the expenses of foreclosure proceedings would be payable out of the proceeds received on account of the insurance claim. The Bond Resolution requires Rhode Island Housing to assign a defaulted mortgage note (and mortgage) to FHA.

In connection with a claim for insurance benefits, FHA may require delivery to it of certain cash items. Cash items include the balance in certain accounts held by or on behalf of the mortgagee pursuant to FHA regulatory requirements.

In the event of a default on a mortgage note, its assignment to FHA and the filing of a claim for FHA insurance, FHA will pay FHA mortgage insurance benefits in cash (unless FHA is requested by the mortgagee to pay in FHA Debentures), in an amount equal to the sum of (a) the unpaid principal amount of the mortgage note computed as of the date of default, (b) certain eligible payments (such as taxes, insurance, special assessments and water rates) made by the mortgagee and (c) interest on the insurance proceeds from the date of default at the applicable FHA debenture rate (which interest may be limited if certain notices are not given to FHA within the prescribed time periods), less certain amounts realized by the mortgagee from the owner, including cash items.

Typically, 70% of mortgage insurance benefits are paid by FHA within 60 days, and the balance within six months, but there is no legal requirement for FHA to pay within those time periods, and there can be no assurance there would not be substantial delays in receiving payments from FHA.

U.S. Department of Agriculture Rural Rental Assistance Program

The U.S. Department of Agriculture's ("USDA") Rural Rental Assistance program (the "USDA Rural Rental Assistance Program") is project-based rental subsidy assistance available to selected developments financed at least in part by the USDA's Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514) mortgage lending programs. Housing and Community Facilities Programs ("HCFP"), an agency of the USDA, administers the USDA Rural Rental Assistance Program. Under the USDA Rural Rental Assistance Program, HCFP pays the owner of a multi-family development the difference between eligible tenants' contribution (30% of tenant adjusted income) and the monthly rental rate. The subsidy is available to eligible tenants on a designated number or percentage of units in participating developments. Eligible tenants include persons of very low and low incomes, the elderly and persons with disabilities, if such persons are unable to pay the basic monthly rent with 30% of their adjusted monthly income. Once approved for an eligible development, USDA Rural Rental Assistance is renewable as many times as funds are available.

U.S. Department of Agriculture Section 538 Guaranteed Rural Rental Housing Loan Program

USDA's Section 538 Guaranteed Rural Rental Housing Program ("Section 538 Program") provides a loan note guarantee to the lender of the permanent loan amount for qualifying residential rental properties, serving low or moderate-income families. Generally, properties must be located in areas with population of less than 10,000 (and in some cases up to 20,000 or 25,000).

Section 538 Program loans may have a loan and amortization term of up to 40 years. In addition to the 90% loan note guarantee, the Section 538 Program may also provide an interest credit on the first \$1,500,000 of the permanent loan (funneled through the lender) to the property owner to buy down the interest rate to the applicable federal rate.

At initial occupancy, each tenant household's income cannot exceed 115% of the area median income as adjusted for family size. On an annual basis, the monthly rent cannot exceed 30% of the area median income as adjusted for family size.

Servicing procedures are defined under Section IV. Servicing, Section V. Default and Section VI. Liquidation of the Lender's Agreement Business and Industry Guaranteed Loan Program and Section 9006 Program Form 4279-4. The lender will notify USDA of any loan 30 days past due on form FmHA 1980-44 and all actions taken will be with the written concurrence of USDA.

If the lender concludes pursuant to USDA regulations that liquidation of a guaranteed loan account is necessary the lender will pursue actions in concurrence with USDA and prepare a liquidation plan. If USDA concurs with the liquidation plan the Lender will ordinarily conduct the liquidation. The Lender will transmit to the USDA their pro rata share of any payments received from the Borrower and of liquidation and any other proceeds, using FmHA form 449-30.

STATE OF RHODE ISLAND RENTAL ASSISTANCE PROGRAM

The Rhode Island Rental Assistance Program (the "Assistance Program") is a state rental assistance program, which provides rental assistance payments to certain persons and entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island ("Owners"), 50% of the units of which are available to and affordable by individuals or families ("Low-income Tenants") whose total income does not exceed 60% of the median family income adjusted for family size for the area in which the development is located, as determined annually by HUD. Units

for which rent charged does not exceed the maximum Fair Market Rents established by HUD for the Section 8 Existing Housing Program are considered available for occupancy by Low-income Tenants.

The Assistance Program is administered by Rhode Island Housing on behalf of the Executive Department of the State of Rhode Island (the “Department”) in accordance with regulations promulgated by the Department. Under the Assistance Program, the Department enters into contracts with Owners for a term not to exceed 20 years under which the Department agrees to make rental assistance payments to the Owners for each assisted unit in the development actually occupied by Low-income Tenants, and the Owner agrees that the assisted units will remain available for occupancy by Low-income Tenants in perpetuity, or until the Department determines that the units may be otherwise utilized. The Assistance Program, which began in 1989, is subject to an annual appropriation by the Rhode Island General Assembly.

Monthly rental assistance payments made under the Assistance Program are equal to the difference between an amount equal to 30% of the tenants adjusted income and an amount equal to the sum of (a) the fair market rent for the assisted unit plus (b) a utility allowance determined by the Department.

The obligations and restrictions arising out of any contracts executed in connection with the Assistance Program are binding upon all subsequent owners of the development.

Rhode Island Housing has funded all or a portion of the State’s obligations for Rental Subsidy Payments for most years since fiscal 1990. From fiscal 1994 through fiscal 2016, Rhode Island Housing has made the annual payment on behalf of the State in amounts ranging from approximately \$4.2 million (in fiscal 2003) to \$0.6 million (in fiscal 2016). Such Rental Subsidy Payments were determined pursuant to contracts, the last of which expired in 2012. While for policy purposes Rhode Island Housing continues to make Rental Subsidy Payments on behalf of tenants residing in a certain diminishing number of rental units at this time, Rhode Island Housing has implemented a variety of plans to reduce its annual funding under the Assistance Program, with the goal of reducing, upon tenant turnover, the number of rental units subsidized under the Assistance Program to zero. Accordingly, Rhode Island Housing expects that any future payments it makes in connection with the Assistance Program will diminish each fiscal year, and there can be no assurance that Rhode Island Housing will continue to make any payments related to the Assistance Program in the future, on behalf of the State or otherwise.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”), dated as of April 1, 2017, by and between Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”), under its Multi-Family Development Program Resolution, adopted on November 19, 2009 (the “General Resolution”) and the Multi-Family Development Program Supplemental Resolution, adopted on January 21, 2016 (the “Supplemental Resolution,” together with the General Resolution, the “Resolution”), is executed and delivered in connection with the issuance of Rhode Island Housing’s Multi-Family Development Bonds, 2017 Series 1-A, its Multi-Family Development Bonds, 2017 Series 1-B, its Multi-Family Development Bonds, 2017 Series 2-T and its Multi-Family Development Bonds, 2017 Series 3-T (collectively, the “Series Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution.

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by Rhode Island Housing as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Series Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below). Rhode Island Housing represents that it will be the only obligated person (as defined in the Rule) with respect to the Series Bonds at the time the Series Bonds are delivered to the purchasers thereof and that no other person is expected to become an obligated person at any time after the issuance of the Series Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of Rhode Island Housing, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by Rhode Island Housing and which has filed with Rhode Island Housing a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth in Exhibit II.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Rhode Island and Providence Plantations.

“*Undertaking*” means the obligations of Rhode Island Housing pursuant to Sections 4 and 5.

Section 3. CUSIP Numbers/Final Official Statement. The CUSIP Numbers of the Series Bonds are as listed in Exhibit III hereof. The final Official Statement relating to the Series Bonds is dated April 12, 2017 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, Rhode Island Housing hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by one of the following methods: (i) Rhode Island Housing may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 180 days of the completion of Rhode Island Housing’s fiscal year or (ii) delivery of an Official Statement of Rhode Island Housing to the MSRB within 180 days of the completion of Rhode Island Housing’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

Rhode Island Housing is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, Rhode Island Housing will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Listed Events Disclosure. Subject to Section 9 of this Agreement, Rhode Island Housing hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Section 6. Duty To Update EMMA/MSRB. Rhode Island Housing shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of Rhode Island Housing to Provide Information. Rhode Island Housing shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of Rhode Island Housing to comply with any provision of this Agreement, the Bondholder of any Series Bond may seek specific performance by court order to cause Rhode Island Housing to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Agreement in the event of any failure of Rhode Island Housing to comply with this Agreement shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, Rhode Island Housing may amend this Agreement, and any provision of this Agreement may be waived, if:

(i) The amendment or waiver is 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 Rhode Island Housing or type of business conducted;

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with Rhode Island Housing (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of Rhode Island Housing or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The Undertaking of Rhode Island Housing shall be terminated hereunder when Rhode Island Housing shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. Rhode Island Housing shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. Rhode Island Housing may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent Rhode Island Housing from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If Rhode Island Housing chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, Rhode Island Housing shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Section 12. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of Rhode Island Housing, the Dissemination Agent, if any, the Trustee and the Bondholders of the Series Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. Rhode Island Housing shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. [Reserved].

Section 15. Assignment. Rhode Island Housing shall not transfer its obligations under the Financing Agreement unless the transferee agrees to assume all obligations of Rhode Island Housing under this Agreement or to execute a continuing disclosure undertaking under the Rule.

Section 16. Governing Law. This Agreement shall be governed by the laws of the State.

Section 17. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

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RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION

By _____
Name: _____
Title: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.

By _____
Name: _____
Title: _____

Dated: April 27, 2017

EXHIBIT I

**ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS**

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below:

The Series Bonds

- *Outstanding Principal Amount*
- *Fund Balances*

The Mortgage Loans

- *Information of the type provided in Appendix A of the Final Official Statement*

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. Rhode Island Housing shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 180 days after the last day of Rhode Island Housing’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to Rhode Island Housing.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of Rhode Island Housing, Rhode Island Housing will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE SERIES BONDS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of Rhode Island Housing*
13. The consummation of a merger, consolidation or acquisition involving Rhode Island Housing or the sale of all or substantially all of the assets of Rhode Island Housing, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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

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PROPOSED FORM OF BOND COUNSEL OPINION

April 27, 2017

Rhode Island Housing and Mortgage
Finance Corporation
44 Washington Street
Providence, Rhode Island 02903

Dear Commissioners:

We have examined the Constitution and the laws of the State of Rhode Island and Providence Plantations (the "State") and a record of proceedings relating to the issuance of \$15,560,000 aggregate principal amount of Multi-Family Development Bonds, 2017 Series 1-A (Non-AMT) (the "2017 Series 1-A Bonds"), \$1,725,000 aggregate principal amount of Multi-Family Development Bonds, 2017 Series 1-B (Non-AMT) (the "2017 Series 1-B Bonds" and, together with the 2017 Series 1-A Bonds, the "2017 Series 1 Bonds"), \$14,400,000 aggregate principal amount of Multi-Family Development Bonds, 2017 Series 2-T (the "2017 Series 2-T Bonds"), and \$7,600,000 aggregate principal amount of Multi-Family Development Revenue Bonds, Series 2017 Series 3-T (the "2017 Series 3-T Bonds") of Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing"), a public corporation and instrumentality and agency of the State created by and pursuant to Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The 2017 Series 1 Bonds, the 2017 Series 2-T Bonds and the 2017 Series 3-T Bonds (collectively, the "2017 Series 1-3 Bonds") are issued pursuant to the Act and a resolution adopted by Rhode Island Housing on November 19, 2009, entitled "Multi-Family Development Program General Bond Resolution" (the "General Resolution"), as supplemented by a supplemental resolution thereunder adopted by Rhode Island Housing on January 21, 2016 and a Certificate of Determination dated the date hereof, delivered pursuant thereto and incorporated therein (the General Resolution, as so supplemented, is herein called the "Resolution"). The 2017 Series 1-3 Bonds, the bonds currently outstanding under the General Resolution and any additional bonds which may be issued under the General Resolution are herein called the "Bonds."

The 2017 Series 1-3 Bonds are dated, will mature on the dates and in the principal amounts, bear interest at the rates per annum, are subject to redemption prior to maturity and are otherwise as described in the Resolution.

The 2017 Series 1-3 Bonds are issued for the principal purpose of providing funds to carry out the Program as described in the Resolution by financing, and refunding bonds issued to finance, Mortgage Loans (as defined in the Resolution). Rhode Island Housing is authorized to issue Bonds, in addition to the 2017 Series 1-3 Bonds, upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2017 Series 1-3 Bonds and with all other such Bonds heretofore and theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants

and agreements of the General Resolution. Any capitalized terms used and not otherwise defined herein are used as defined in the Resolution.

Upon the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State, Rhode Island Housing has been duly created and validly exists, and Rhode Island Housing has good, right and lawful authority, among other things, to carry out its Program, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2017 Series 1-3 Bonds, and to perform its obligations under the terms and conditions of the Resolution.

2. The Resolution has been duly adopted by Rhode Island Housing, is in full force and effect, and is valid and binding upon Rhode Island Housing and enforceable in accordance with its terms.

3. The 2017 Series 1-3 Bonds are valid and legally binding special revenue obligations of Rhode Island Housing payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The 2017 Series 1-3 Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates a valid pledge of and lien on the Mortgage Loans, the Revenues and all amounts held in any Account established by the Resolution (except the Rebate Account), including investments thereof, as such terms are used in the Resolution, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

5. The State is not liable on the 2017 Series 1-3 Bonds, and the 2017 Series 1-3 Bonds are not a debt of the State. Neither the faith, credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2017 Series 1-3 Bonds.

6. Under existing statutes and court decisions, (i) interest on the 2017 Series 1 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2017 Series 1-A Bond or 2017 Series 1-B Bond for any period during which such 2017 Series 1-A Bond or 2017 Series 1-B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of facilities financed with the proceeds of the 2017 Series 1-A Bonds or 2017 Series 1-B Bonds, respectively, or a “related person” and (ii) interest on the 2017 Series 1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the developers of the projects financed with the proceeds of the 2017 Series 1 Bonds (the “Series Developers”) and others in connection with the 2017 Series 1 Bonds, and we have assumed compliance by Rhode Island Housing and the Series Developers with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2017 Series 1 Bonds from gross income under Section 103 of the Code.

7. Interest, if any, on the 2017 Series 2-T Bonds and the 2017 Series 3-T Bonds is included in gross income for federal income tax purposes.

8. Pursuant to the provisions of the Act, income on the 2017 Series 1-3 Bonds (including any profit on the sale thereof) is free from State personal income taxes.

The opinions expressed in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, moratorium, reorganization insolvency or other laws heretofore or hereafter enacted affecting creditors' rights or remedies and are subject to application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law. We have examined an executed 2017 Series 1-A Bond, an executed 2017 Series 1-B Bond, an executed 2017 Series 2-T Bond and an executed 2017 Series 3-T Bond and, in our opinion, the forms of such 2017 Series 1-3 Bonds and their execution are regular and proper.

Except as stated in paragraphs 6, 7 and 8 above, we express no opinion regarding any other federal or state tax consequences with respect to the 2017 Series 1-3 Bonds. We are rendering our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that hereafter come to our attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. We 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 2017 Series 1 Bonds, or under state and local tax law.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2017 Series 1-3 Bonds.

This opinion is issued as of the date hereof, as we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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