

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on
Housing
(AC-Ho)

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected For Or
Against Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

**

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0593_AC-Ho_pt02**

➤ Miscellaneous ... Misc

➤ **

NEW ISSUE**(Book – Entry only)**

This Official Statement has been prepared by the Wisconsin Housing and Economic Development Authority to provide information on the 2005 Series A Bonds and the 2005 Series B Bonds (the "Series A and B Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision, a prospective investor should read this Official Statement in its entirety.

**\$131,200,000****WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**
Home Ownership Revenue Bonds, 2005 Series A and Series B (Taxable)

Dated Date:	Date of delivery.
Due:	As shown on inside front cover.
Price:	100%.
Bond Ratings:	All Bonds issued under the General Resolution (as defined herein) are rated "Aa2" by Moody's and "AA" by S&P. In addition, the Variable Rate Demand Bonds (as defined below) are rated "VMIG1" by Moody's and "A1+" by S&P. See page 45.
Tax Exemption:	In the opinion of Bond Counsel, subject to certain assumptions and conditions, interest on the Series A Bonds is, but interest on the Series B Bonds is not, excluded from gross income for federal income tax purposes. Interest on the Series A Bonds is a separate tax preference item for purposes of calculating the alternative minimum taxable income of individuals and corporations. See pages 43-44.
Purpose:	Proceeds of the Series A and B Bonds will be used to refund existing bonds and purchase new mortgage loans. See page 1.
Security:	The Series A and B Bonds are general obligations of the Wisconsin Housing and Economic Development Authority. The Series A and B Bonds are secured by a pledge of certain collateral, as described on pages 5-7, including revenues from Mortgage Loans made by the Authority. The Series A and B Bonds are secured on a parity with other Bonds issued by the Authority under the General Resolution. The State of Wisconsin is not liable on the Series A or B Bonds.
Tender for Purchase (Variable Rate Demand Bonds):	The Series A Bonds maturing on March 1, 2036 (the "Series A Variable Rate Demand Bonds") and the Series B Bonds (together, the "Variable Rate Demand Bonds"), when in the Weekly Mode, are subject to purchase by the Trustee, on the demand of the registered owners thereof on any business day upon seven days' notice. See pages 17-20.
Liquidity Facilities for Variable Rate Demand Bonds:	The Authority intends to obtain a liquidity facility for each series of the Variable Rate Demand Bonds that will ensure payment of principal and up to 186 days' interest for the bonds of such series that are tendered and not remarketed on any Optional Tender Date or Mandatory Tender Date, at a tender price equal to the principal amount purchased plus accrued interest, if any. The Initial Liquidity Provider will be Lloyds TSB Bank, plc, acting through its New York Branch. Under certain circumstances, an Initial Liquidity Facility may be terminated immediately, without notice to the holders of the Variable Rate Demand Bonds. See pages 7-13.
Remarketing Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated. See page 19.
Redemption and Mandatory Tender:	The Series A and B Bonds are subject to redemption prior to maturity, including redemption at par. See pages 17-26. The Variable Rate Demand Bonds are subject to mandatory tender for purchase at par. See pages 17-20.
Interest Payment Dates:	September 1 and March 1, commencing September 1, 2005. See page 14.
Closing:	On or about April 12, 2005, via The Depository Trust Company. See pages 29-30.
Bond Counsel:	Foley & Lardner LLP and Gonzalez, Saggio & Harlan, L.L.P.
Trustee/Paying Agent:	Wells Fargo Bank, National Association.

Merrill Lynch & Co.†**Bear, Stearns & Co. Inc.**
Stifel, Nicolaus & Co.**Siebert Brandford Shank & Co.**
Piper Jaffray & Co.

March 24, 2005

† Merrill Lynch & Co. will be the sole underwriter of the Variable Rate Demand Bonds

\$131,200,000
WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
Home Ownership Revenue Bonds, 2005 Series A and Series B (Taxable)

MATURITY SCHEDULE

\$120,000,000 2005 Series A Bonds (AMT)

\$13,915,000 Serial Bonds

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
March 1, 2006	\$1,070,000	2.60%	March 1, 2009	1,165,000	3.70%
September 1, 2006	1,085,000	2.80%	September 1, 2009	1,180,000	3.75%
March 1, 2007	1,100,000	3.15%	March 1, 2010	1,200,000	3.95%
September 1, 2007	1,115,000	3.25%	September 1, 2010	1,220,000	4.00%
March 1, 2008	1,130,000	3.50%	March 1, 2011	1,240,000	4.05%
September 1, 2008	1,145,000	3.60%	September 1, 2011	1,265,000	4.05%

\$14,960,000 4.95% Term Bonds Due March 1, 2025

\$91,125,000 Series A Variable Rate Demand Bonds Due March 1, 2036

\$11,200,000 Series B (Taxable) Variable Rate Demand Bonds Due September 1, 2035

(Price: 100.00%)

In connection with the offering of the Series A and B Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, sales representative or other person has been authorized by the Wisconsin Housing and Economic Development Authority or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The Wisconsin Housing and Economic Development Authority is the author of this Official Statement and is responsible for its accuracy and completeness. The Underwriters are not the authors of this Official Statement. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this Official Statement and must have a reasonable basis for their belief in the accuracy and completeness of the Official Statement's key representations. The information set forth in this Official Statement, however, is not guaranteed as to accuracy or completeness by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Wisconsin Housing and Economic Development Authority or other information or opinions expressed herein since the date hereof.

The Series A and B Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the Series A and B Bonds in accordance with applicable provisions of securities laws of the states in which the Series A and B Bonds have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. Neither these states, nor any of their agencies have passed upon the merits of the Series A and B Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

In making an investment decision investors must rely on their own examination of the Wisconsin Housing and Economic Development Authority 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

INTRODUCTION.....	1	Mortgage Payment Protection Insurance.....	41
THE AUTHORITY.....	2	Tax Compliance Mortgage Loans.....	42
Statutory Authority.....	2	Prior Bonds Special Hazard Insurance.....	42
Programs.....	2	Special Hazard Insurance Reserve Fund.....	42
Organization.....	3	AGREEMENT OF THE STATE.....	43
SECURITY FOR THE BONDS.....	5	LEGAL MATTERS.....	43
Pledge of the General Resolution.....	5	TAX MATTERS.....	43
Debt Service Reserve Fund.....	6	UNDERWRITING.....	44
Restrictions on Transfers of Moneys to		RATINGS.....	45
Authority Surplus Account.....	6	FINANCIAL STATEMENTS OF THE	
Supplemental Mortgage Coverage.....	6	AUTHORITY.....	45
Additional Bonds.....	7	CONTINUING DISCLOSURE.....	45
Liquidity Facilities for the Variable Rate		MISCELLANEOUS.....	46
Demand Bonds.....	7	EXHIBIT A – Financial Statements of the	
THE SERIES A AND B BONDS.....	14	Authority.....	A-1
General.....	14	EXHIBIT B – Outstanding Bonds and Notes	
Interest Provisions.....	14	of the Authority.....	B-1
Tender of Variable Rate Demand Bonds		EXHIBIT C – Summary of Certain Provisions	
for Purchase.....	17	of the General Resolution.....	C-1
Swap Agreements for Series A Variable		EXHIBIT D – Proposed Form of Opinion of	
Rate Demand Bonds.....	20	Bond Counsel.....	D-1
Redemption Provisions.....	20		
Information Regarding Outstanding			
Bonds.....	26		
Bonds in Book-Entry Form.....	29		
SOURCES AND USES OF FUNDS.....	31		
HOME OWNERSHIP MORTGAGE LOAN			
PROGRAM.....	31		
General.....	31		
Eligible Borrowers.....	32		
Qualified Property.....	33		
Certain Terms of Mortgage Loans and			
Interest Only Mortgage Loans.....	33		
Qualified Lender.....	33		
Underwriting of Mortgage Loans.....	33		
Servicing.....	34		
Targeted Areas and Other Set-Asides.....	35		
Section 143 Mortgage Eligibility			
Requirements.....	35		
Federal Recapture Provisions.....	36		
Foreclosure Procedure.....	37		
PRIOR SINGLE FAMILY BOND ISSUES.....	37		
DESCRIPTION OF INSURANCE.....	38		
Private Mortgage Insurance.....	38		
Standard Homeowners' Insurance Policies.....	39		
Mortgage Pool Insurance.....	39		

OFFICIAL STATEMENT

\$131,200,000

Wisconsin Housing and Economic Development Authority Home Ownership Revenue Bonds

\$120,000,000 2005 Series A Bonds

\$11,200,000 2005 Series B Bonds (Taxable)

INTRODUCTION

The purpose of this Official Statement is to set forth information concerning the Authority in connection with the sale of its \$120,000,000 Home Ownership Revenue Bonds, 2005 Series A (the "Series A Bonds"), and \$11,200,000 Home Ownership Revenue Bonds, 2005 Series B (Taxable) (the "Series B Bonds") (the Series A Bonds and Series B Bonds are together referred to herein as the "Series A and B Bonds"). Information set forth on the cover page hereof and in the Exhibits hereto is part of this Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Home Ownership Revenue Bond Resolution adopted by the Authority on May 8, 1987, as amended and restated on January 18, 2002, and amended by a Supplemental Resolution on December 2, 2004 (together, the "General Resolution").

The General Resolution authorizes the issuance of the Series A and B Bonds. Thirty-four series of bonds (the "Prior Bonds") in the aggregate amount of \$1,332,415,000, of which \$527,495,000 are outstanding as of December 31, 2004, have been issued previously pursuant to the General Resolution. (See "EXHIBIT B – OUTSTANDING BONDS AND NOTES OF THE AUTHORITY.") The Prior Bonds are on a parity with the Series A and B Bonds. The Series A and B Bonds and any other bonds which have been or may be issued under the General Resolution are herein referred to as the "Bonds." The General Resolution authorizes the issuance of an unlimited amount of additional Bonds on a parity with the Series A and B Bonds, equally and ratably secured by the General Resolution, upon satisfaction of the conditions to issuance set forth therein. Wells Fargo Bank, National Association, will act as Trustee (the "Trustee") under the General Resolution.

The Series A and B Bonds are authorized to be issued pursuant to Chapter 234, Wisconsin Statutes, as amended (the "Statute"), the General Resolution and the Series Resolution Authorizing the Issuance of Wisconsin Housing and Economic Development Authority Home Ownership Revenue Bonds, which was adopted by the Authority on February 21, 2005 (the "Series Resolution"). The Series A Bonds are being issued in order to make available moneys to the Authority to purchase new Mortgage Loans, to refund certain bonds of the Authority thereby making available moneys to purchase new Mortgage Loans, to make a deposit in the Debt Service Reserve Fund and to pay costs of issuance. Mortgage Loans purchased with the moneys made available by the issuance of the Series A Bonds are hereinafter referred to as "Series A Mortgage Loans." The Series B Bonds are being issued in order to refund the Home Ownership Revenue Bonds, 1995 Series C and D, previously issued by the Authority (the "1995 Series CD Bonds"), and to pay costs of issuance.

The Series A Mortgage Loans are required to comply with the conditions for the exclusion of interest on the Series A Bonds from gross income for federal income tax purposes under Section 143 ("Section 143") of the Internal Revenue Code of 1986, as amended (the "Code").

Under Wisconsin statutes, the Authority may issue its bonds and notes to finance the Authority's Home Ownership Mortgage Loan Program (the "Program"). See "HOME OWNERSHIP MORTGAGE LOAN PROGRAM." The proceeds of such bonds and notes are used, in part, to purchase mortgage loans intended for persons and families of low and moderate income. As used herein, "Mortgage Loans" refers to all mortgage loans purchased under the General Resolution unless the context requires otherwise. Each Mortgage Loan is secured by a first mortgage lien on a Single Family Residence (detached dwelling, condominium unit or two- to four-unit dwelling) which is to be the principal residence of the borrower. The Mortgage Loans have terms not exceeding 30 years. The Authority, in conjunction with participating lenders, administers the program of purchasing Mortgage Loans.

The Series A and B Bonds are general obligations of the Authority. Substantially all the assets and revenues of the Authority reflected in the financial statements (attached hereto as Exhibit A) have been pledged to the payment of specific issues of bonds and notes outstanding under its various resolutions. Most of the outstanding bonds and notes of the Authority shown in "Exhibit B - Outstanding Bonds And Notes Of The Authority" are also general obligations of the Authority, except as indicated therein. The Authority is required by statute annually to prepare and submit for approval by the Governor and the Legislature a plan for expending and encumbering that portion of its assets defined as "surplus" by the statute. The Authority has no taxing power.

Pursuant to the General Resolution, there are or will be pledged, for the payment of the principal or Redemption Price of and interest on the Bonds, the Revenues, the Mortgage Loans and all funds and accounts established by the General Resolution, except for certain funds and accounts specifically excepted from such pledge. See "EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" for a description of funds and accounts.

The General Resolution establishes a Debt Service Reserve Fund to be used to pay debt service on the Bonds to the extent sufficient amounts are not otherwise available. The Debt Service Reserve Fund is required to be maintained in an amount at least equal to 2% of the outstanding principal amount of Bonds issued pursuant to the General Resolution (the "Debt Service Reserve Fund Requirement"). After the issuance of the Series A Bonds, the total amount in the Debt Service Reserve Fund will be at least equal to the Debt Service Reserve Fund Requirement.

The Series A Mortgage Loans will be the subject of a mortgage pool insurance policy or policies, standard hazard insurance policies and a Special Hazard Insurance Reserve Fund. Certain of the Series A Mortgage Loans are required to be insured by a private mortgage insurance company. See "SECURITY FOR THE BONDS."

THE AUTHORITY

Statutory Authority

In 1972, the Wisconsin Legislature enacted legislation establishing the Authority as a public body corporate and politic to provide an adequate supply of housing for persons and families of low and moderate income. Chapter 234, Wisconsin Statutes (the "Statute") authorizes the Authority, among other things, to (i) purchase mortgages and securities, the proceeds of which are utilized for the purpose of providing residential housing for occupancy by persons and families of low and moderate income; (ii) make or participate in the making of loans to eligible sponsors of housing developments for the construction or rehabilitation of housing, and (iii) make or participate in the making of long-term mortgage loans to eligible sponsors of housing developments and directly to persons and families of low and moderate income, in each case upon a determination by the Authority that construction loans or long-term mortgage loans are not otherwise available from private lenders upon reasonably equivalent terms and conditions. The Supreme Court of the State of Wisconsin has held that the legislation which established the Authority is a constitutional enactment evidencing both a public and statewide purpose. *State ex rel. Warren v. Nusbaum*, 59 Wis. 2d 391, 208 N.W.2d 780 (1973). The Statute was amended in 1976 to permit the Authority to make or participate in making loans to banking institutions for the purpose of making long-term mortgage loans to, or to provide residential housing for, persons of low and moderate income. The Statute was amended in 1983 and in 1986 to permit the Authority to issue its negotiable bonds and notes to finance (i) economic development projects, and (ii) group homes and other housing with services and facilities for the elderly and disabled. The Statute was further amended in 1985 and subsequent years to permit the Authority to administer various State Guaranty Loan Programs.

Programs

The Authority has various other programs in addition to the Home Ownership Mortgage Loan Program described herein. Among these are its: (i) Multifamily Mortgage Loan Program, under which the Authority provides long-term mortgage loans for multifamily housing developments; (ii) Home Improvement Loan Program, for the purpose of making loans for home rehabilitation purposes; (iii) Business Development Bond Loan Program, for the purpose of financing economic development projects; and (iv) Beginning Farmer Bond Program, to assist beginning farmers with the purchase of land and depreciable property. See "EXHIBIT A - FINANCIAL STATEMENTS OF THE

AUTHORITY – ALL PROGRAMS” and “EXHIBIT B – OUTSTANDING BONDS AND NOTES OF THE AUTHORITY.” The Authority also operates various small business and agricultural guaranty loan programs supported by reserves appropriated by the Wisconsin Legislature. Should such reserves be insufficient to fund the guaranties, the State of Wisconsin is morally obligated to replenish the reserves.

Since 1985, the Authority has administered a Grant Program, funded with Authority resources, for the purpose of making grant awards to local governments, housing authorities and nonprofit groups for various types of projects designed to improve and increase housing opportunities for low- and moderate-income families, elderly, handicapped or disabled persons, and persons in crisis.

Organization

The Authority has a governing body of twelve Members, which consists of the Secretary of the Department of Commerce or his designee, the Secretary of the Department of Administration or his designee, a representative of each party from the Wisconsin State Assembly and the State Senate who are appointed in the same manner as the members of standing committees in their respective houses, and six public Members appointed to four-year terms by the Governor of Wisconsin with the consent of the State Senate. The powers of the Authority, as defined in the Statute, are vested in and exercised by a majority of its Members then in office. The Authority may delegate any of its powers or duties to one or more of its Members or agents or, with the consent of its Executive Director, to its employees. The Governor of Wisconsin appoints the Chairperson for a one-year term from among the public Members. The Executive Director is appointed by the Governor of Wisconsin for a two-year term subject to State Senate confirmation.

As of December 31, 2004, the Authority had a staff of 175 persons. In addition to the Executive Director and his office, the Authority has eight groups (Human Resources and Administration, Asset Management, Credit, Executive, Finance, Information Technology, Legal, and Community Development). In addition to its eight group directors, the Authority also employs architectural, accounting, economic development, housing development, financial, administrative, legal, marketing and management personnel. The Authority also contracts for the use of additional consultants and related personnel. The Authority's office is located at 201 West Washington Avenue, Suite 700, Madison, Wisconsin 53703. Its mailing address is P.O. Box 1728, Madison, Wisconsin 53701-1728, and its telephone number is (608) 266-7884.

The Members of the Authority are:

Perry J. Armstrong, Chairperson
Term Expires January 1, 2006

Chief Executive Officer, Preferred Title, LLC
Madison, Wisconsin

David W. Kruger, Vice Chairperson
Term Expires January 1, 2007

President, The Fiore Companies, Inc.
Madison, Wisconsin

Daniel F. Lee, Secretary
Term Expires January 1, 2007

Realtor, First Weber Group Realtors
Madison, Wisconsin

Geoffrey F. Hurtado, Treasurer
Term Expires January 1, 2006

President, Hurtado Consulting, LLC
Milwaukee, Wisconsin

Cheryll A. Olson-Collins
Term Expires January 1, 2008

Community Bank President,
Associated Bank
Windsor, Wisconsin

Linda Stewart Term Expires January 1, 2008	President, North Milwaukee State Bank Milwaukee, Wisconsin
Senator Ted Kanavas Serves at the pleasure of the State Senate	State Senate, State Capitol Madison, Wisconsin
Senator Lena Taylor Serves at the pleasure of the State Senate	State Senate, State Capitol Madison, Wisconsin
Representative Steve K. Wieckert Serves at the pleasure of the State Assembly	State Assembly, State Capitol Madison, Wisconsin
Representative Leon Young Serves at the pleasure of the State Assembly	State Assembly, State Capitol Madison, Wisconsin
Mary Burke Secretary of the Department of Commerce	Wisconsin Department of Commerce Madison, Wisconsin
Marc J. Marotta Secretary of the Department of Administration	Wisconsin Department of Administration Madison, Wisconsin

Antonio R. Riley, Executive Director

Governor James E. Doyle appointed Antonio Riley as WHEDA's executive director effective February 1, 2003. Mr. Riley previously served in the Wisconsin Legislature from 1992 until his appointment, representing the 18th Assembly District. He also has worked in the Department of City Development for the City of Milwaukee and served as a staff assistant to Milwaukee Mayor John Norquist. In his duties with the city and as a legislator, Mr. Riley was very involved in economic development and housing issues in Milwaukee's low and moderate income communities. Mr. Riley serves on the boards of the YMCA of Milwaukee and the Greater Milwaukee American Red Cross, and is chairman of the board of the Westside Health Care Association. He is the former commission chairman for the Milwaukee Metropolitan Sewerage District. He also has served as chairman of the Democratic Leadership Council's national State Legislative Advisory Board.

Laura B. Morris, Chief Financial Officer

Laura B. Morris was named Chief Financial Officer of the Authority in February 2000. Ms. Morris has been with the Authority since April 1989 and served most recently as Controller. Prior to joining the Authority she was employed by a private health insurance company for eight years. Ms. Morris holds an MBA in Risk Management and Insurance and a Bachelors of Business Administration degree in accounting and personnel management from the University of Wisconsin-Madison. She is a member of the Wisconsin and American Institutes of Certified Public Accountants.

Mary C. Zins, Director, Credit

Mary C. Zins was named Director of Single Family Housing in November 1989 and Director, Credit, in February 1996. Prior to joining the Authority, Ms. Zins was employed by a private mortgage insurance company for 15 years, where most recently she served as Vice President, Underwriting Administration, with responsibility for the nationwide network of underwriting offices. Previously, Ms. Zins held the position of Vice President of Information Systems. Ms. Zins is a Phi Beta Kappa graduate of the University of Illinois.

SECURITY FOR THE BONDS

Pledge of the General Resolution

The Bonds are general obligations of the Authority, subject to the provisions of resolutions heretofore and hereafter adopted pledging particular assets or revenues of the Authority to the owners of other bonds or notes of the Authority. Subject to the provisions of the General Resolution permitting the application of moneys, rights and interests, there are pledged for the payment of the principal or Redemption Price of and interest on the Bonds (i) the proceeds of the Bonds, (ii) the Revenues, (iii) the Pledged Funds (which include all Funds and Accounts under the General Resolution except for the Rebate Credit Account, the Operating Fund and the Authority Surplus Account), including the investments thereof, and (iv) the rights and interests of the Authority in and to the Mortgage Loans financed under the General Resolution, the documents evidencing and securing the same and the collections (excluding Escrow Payments and Servicing Fees) received therefrom by the Authority or the Trustee on its behalf. All Bonds are secured on a parity and equally by the foregoing. Under the General Resolution, "Revenues" means:

(i) Mortgage Repayments, which include the principal and interest on each Mortgage Loan financed under the General Resolution scheduled to be paid from time to time by or on behalf of the mortgagor (other than Prepayments and Escrow Payments). See "HOME OWNERSHIP MORTGAGE LOAN PROGRAM" herein for a description of the Mortgage Loans;

(ii) Prepayments, which include moneys received by the Authority from any payment of principal on any Mortgage Loan financed under the General Resolution prior to the payments of principal scheduled for such Mortgage Loan, whether (a) by the mortgagor's voluntary prepayment, (b) as a consequence of the damage, destruction or condemnation of all or any part of the mortgaged premises, (c) by the sale, assignment, endorsement or other disposition of any non-qualifying Mortgage Loan by the Authority, (d) by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority in the event of a default thereon by the mortgagor, or (e) by the sale, assignment, endorsement or other disposition of some or all of the Mortgage Loans by the Authority, as the Authority may in its discretion determine, provided that such sale, assignment, endorsement or other disposition shall not adversely affect the Authority's ability to pay the principal, interest or Redemption Price of the Bonds as provided herein;

(iii) interest or income (other than the Rebate Credit Amount) received on investments of money held in any Fund or Account pursuant to the General Resolution (except the Rebate Credit Account, the Operating Fund and the Authority Surplus Account);

(iv) penalties paid to the Authority pursuant to a Purchase Agreement, Servicing Agreement or agreements with respect to the origination and servicing of FHA-insured Mortgage Loans financed under the General Resolution; and

(v) all other payments and receipts, including payments received with respect to insurance, received by the Authority with respect to Mortgage Loans financed under the General Resolution (other than the Rebate Credit Amount, Escrow Payments, Servicing Fees or fees charged by the Authority, and funds loaned to the Authority pursuant to the Liquidity Facility).

For a description of the various Funds and Accounts securing the Bonds, the application of Revenues and the Rebate Credit Amount, see "EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" herein. The pledge of Revenues described above is subject to the respective liens of the Trustee and other fiduciaries (the "Fiduciaries") for reasonable compensation and expenses. The Series A and B Bonds and other Bonds issued from time to time under the General Resolution are not secured by a pledge of assets under any other resolutions of the Authority authorizing the issuance of mortgage revenue bonds to fund the Program.

Proceeds of the Bonds not invested in Mortgage Loans will be invested in "Investment Securities" as defined in the General Resolution. See "EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Investment of Moneys."

The Authority has no taxing power. The State of Wisconsin is not liable on the Bonds, and the Bonds are not a debt of the State of Wisconsin.

Debt Service Reserve Fund

In order to further secure the Bonds, the General Resolution establishes a Debt Service Reserve Fund with a Debt Service Reserve Fund Requirement at least equal to 2% of the principal amount of outstanding Bonds. It is a condition precedent to the issuance of the Bonds that the amount in the Debt Service Reserve Fund be at least equal to the Debt Service Reserve Fund Requirement. In the General Resolution, the Authority has covenanted to maintain, from any legally available funds, the deposit in the Debt Service Reserve Fund at an amount not less than the Debt Service Reserve Fund Requirement.

If on any date on which a Debt Service Payment is due, the moneys otherwise available for such payment, including moneys in the Redemption Fund and the Debt Service Fund, are insufficient for such purpose, the Trustee is required to withdraw an amount equal to such insufficiency from the Debt Service Reserve Fund to provide such payment. If necessary to restore the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement, as of each interest payment date, the Trustee is required to withdraw moneys from the General Reserve Account to the credit of the Debt Service Reserve Fund. For further information with respect to the Debt Service Reserve Fund, see "EXHIBIT C – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Debt Service Reserve Fund."

The Authority has elected under section 234.15(6) of the statute not to secure Bonds issued under the General Resolution with a capital reserve fund to which the legislature may appropriate moneys in amounts certified to it pursuant to that section. The Bonds are not "moral obligations" of the State of Wisconsin.

Restrictions on Transfers of Moneys to Authority Surplus Account

The General Resolution prohibits the Authority from transferring moneys in the General Reserve Account to the Authority Surplus Account unless the amount of moneys (excluding amounts representing Escrow Payments or amounts or investments in any Pool Insurance Reserve Fund or the Rebate Credit Amount, if any) and investments held in the Bond Proceeds Account, the General Reserve Account, the Debt Service Fund, the Redemption Fund and the Debt Service Reserve Fund (valued as provided in the General Resolution), plus the outstanding principal balance of Mortgage Loans and accrued interest thereon, exceed 102% of the principal amount of outstanding Bonds and accrued interest thereon after such transfer, and a Cash Flow Certificate is filed by the Authority with the Trustee. For further information, see "EXHIBIT C – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – General Reserve Account."

Supplemental Mortgage Coverage

The Authority has obtained or will obtain, with respect to Series A Mortgage Loans, supplemental mortgage coverage in the form of two mortgage pool insurance policies. A mortgage pool insurance policy insures the Authority against losses sustained by it arising from certain defaults in payment on any Mortgage Loan covered by such mortgage pool insurance policy up to certain specified aggregate limits.

With respect to the Series A Mortgage Loans, the Authority has obtained or will obtain separate mortgage pool insurance policies (the "Pool Insurance Policies") from Mortgage Guaranty Insurance Corporation and United Guaranty Residential Insurance Company, each insuring a separate group of Mortgage Loans. The Pool Insurance Policies insure the Authority against certain losses arising out of a default on any Mortgage Loan insured thereunder up to a cumulative loss limit equal to 4% of the sum of the original aggregate principal amount of Series A Mortgage Loans insured thereunder. See "DESCRIPTION OF INSURANCE – Mortgage Pool Insurance – The Series A Mortgage Loans."

In addition to the mortgage pool insurance policies securing the Bonds, various insurance requirements applicable to the Mortgage Loans are set forth in each Series Resolution related thereto. For further information regarding the private mortgage insurance, standard hazard insurance, mortgage pool insurance policies, mortgage payment

protection insurance and special hazard insurance applicable to the Mortgage Loans, see "DESCRIPTION OF INSURANCE" elsewhere herein.

Additional Bonds

The General Resolution provides that additional Bonds, on a parity with the Prior Bonds and the Series A and B Bonds, may be issued upon satisfaction of certain conditions provided therefor in the General Resolution. See "EXHIBIT C – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Conditions Precedent to Delivery of an Issue of Bonds."

Liquidity Facilities for the Variable Rate Demand Bonds

The Initial Liquidity Facilities

At the time of the issuance of the Series A Variable Rate Demand Bonds and the Series B Bonds, the liquidity facility will consist of two Standby Bond Purchase Agreements, one for each series (individually or together, as the context shall permit or require, the "Initial Liquidity Facility," and together the "Initial Liquidity Facilities") each by and among the Authority, the Trustee, and Lloyds TSB Bank plc, acting through its New York Branch, as provider of the Initial Liquidity Facility (the "Bank" or "Initial Liquidity Provider"). For further information regarding the Bank, see "*The Provider of the Initial Liquidity Facilities*" below. As used herein, the term "Liquidity Provider" shall mean the Bank while it is the provider of the Initial Liquidity Facilities, and the provider of any Substitute Liquidity Facility, while such substitute remains in effect.

The Initial Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined elsewhere in this Official Statement, the Initial Liquidity Facility or the General Resolution, and reference is made thereto for a full understanding of their import. Unless otherwise noted below, this summary of terms and provisions is applicable to both of the Initial Liquidity Facilities described elsewhere in this Official Statement. The Initial Liquidity Facility that supports the Series A Variable Rate Demand Bonds supports only the Series A Variable Rate Demand Bonds and not the other Series A Bonds or the Series B Bonds. Likewise, the Initial Liquidity Facility that supports the Series B Bonds supports only the Series B Bonds and not the Series A Variable Rate Demand Bonds or the other Series A Bonds. Except as may otherwise be noted herein, the following summary is equally applicable to both of the Initial Liquidity Facilities.

Each Initial Liquidity Facility requires the Bank to provide funds for the purchase of the Series A Variable Rate Demand Bonds and the Series B Bonds, as applicable, that have been tendered and not remarketed, subject to certain conditions set forth in the related Initial Liquidity Facility and summarized below. Series A Variable Rate Demand Bonds and Series B Bonds purchased by the Bank ("Purchased Bonds") shall bear interest at the Bank Rate in accordance with the Initial Liquidity Facility.

The obligation of the Bank pursuant to the Initial Liquidity Facility to provide funds for the purchase of Series A Variable Rate Demand Bonds and Series B Bonds, as applicable (other than Purchased Bonds or Series A Variable Rate Demand Bonds or Series B Bonds held by or on behalf of the Authority) that have been tendered to it under the applicable Initial Liquidity Facility and not remarketed ("Eligible Bonds") shall commence upon the date of delivery of the Series A Variable Rate Demand Bonds and the Series B Bonds (the "Effective Date") and end at the close of business on the earliest of:

- (i) the Expiration Date, as such date may be extended from time to time in accordance with the related Initial Liquidity Facility,
- (ii) the date on which no Eligible Bonds are Outstanding,
- (iii) the date on which a Substitute Liquidity Facility becomes effective, and
- (iv) the date on which the Available Commitment and the Bank's obligation to purchase Eligible Bonds have been terminated in their entirety as a result of:

(x) the Authority causing the Series A Variable Rate Demand Bonds or the Series B Bonds to be redeemed, repaid, defeased or otherwise paid or converted to bear interest at a rate other than the Weekly Rate or Adjustable Rate,

(y) the Authority terminating the related Initial Liquidity Facility, or

(z) the occurrence of specified "events of default" permitting the Bank to terminate its obligation to purchase Series A Variable Rate Demand Bonds or Series B Bonds, as described under the subheading "Events of Default and Remedies" below.

"Expiration Date" means April 12, 2012, or any subsequent date agreed to by the Authority and the Bank. The Authority may deliver a written request to the Bank for an extension of the Initial Liquidity Facility beyond the Expiration Date. Each such request shall be delivered to the Bank no earlier than 360 days prior to and no later than 180 days prior to the Expiration Date then in effect, or such later date to which the Bank may have consented in writing. The Bank shall, within 60 days of receipt of such request, notify the Authority, the Trustee and the Remarketing Agent whether or not, in the sole and absolute discretion of the Bank, it will extend the Expiration Date for the requested period of time or other period of time to be agreed upon. If the Bank notifies the Authority, the Trustee and the Remarketing Agent that the Expiration Date shall be so extended, the Bank shall, within 30 days of its notification, deliver to the Authority and the Trustee a written acknowledgment of such extension. Notwithstanding anything to the contrary, if the Bank fails to notify the Authority of its decision within such 60 day time period, the Bank shall be deemed to have rejected such request.

"Available Commitment" as of any day, shall mean the sum of the Available Principal Commitment and the Available Interest Commitment as of such day.

"Available Interest Commitment" initially shall mean (i) with respect to the Series A Variable Rate Demand Bonds, an amount equal to 186 days of interest at an assumed rate of 12% per annum on the Available Principal Commitment then in effect, and (ii) with respect to the Series B Bonds, an amount equal to 186 days of interest at an assumed rate of 15% per annum on the Available Principal Commitment then in effect; each computed on the basis of the actual days elapsed in a year comprised of 365/6 days, as applicable.

"Available Principal Commitment" initially shall mean the initial principal amount of the Series A Variable Rate Demand Bonds and the Series B Bonds covered by the applicable Initial Liquidity Facility at the date of issuance of such Initial Liquidity Facility, adjusted from time to time as follows: (a) upon any mandatory reduction in the Available Principal Commitment pursuant to the Initial Liquidity Facility, downward by the amount of such reduction; (b) downward by the principal amount of any Eligible Bonds purchased by the Bank pursuant to the Initial Liquidity Facility; and (c) upward by the principal amount of any Eligible Bonds theretofore purchased by the Bank pursuant to the Initial Liquidity Facility, which a Bank Bondholder (as defined in the Initial Liquidity Facility) elects to retain pursuant to the Initial Liquidity Facility or that are sold or deemed sold by a Bank Bondholder pursuant to the Initial Liquidity Facility. Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clause.

If, on any Purchase Date during the Purchase Period, the Bank receives not later than 11:00 a.m., New York City time, a Notice of Bank Purchase from the Trustee, the Bank shall, subject to the conditions set forth in the Initial Liquidity Facility, transfer to the Trustee not later than 1:30 p.m., New York City time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee or the Remarketing Agent which results in its failure to affect any such purchase of Eligible Bonds by the Bank with such funds. Eligible Bonds so purchased shall be held as Purchased Bonds under the Initial Liquidity Facility and the Resolutions.

The obligation of the Bank to purchase Eligible Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank: (i) no Event of Default under the Initial Liquidity Facility

described in clauses (g) through (m) under "Events of Default and Remedies" below (each an "Automatic Termination Event") shall have occurred and be continuing and the Bank's obligations thereunder shall not have otherwise terminated pursuant thereto; and (ii) the Bank shall have received a Notice of Bank Purchase. See "Events of Default and Remedies" below.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE INITIAL LIQUIDITY PROVIDER TO PURCHASE SERIES A VARIABLE RATE DEMAND BONDS OR THE SERIES B BONDS TENDERED BY THE OWNERS THEREOF MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY THE PROVIDER. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE THE SERIES A VARIABLE RATE DEMAND BONDS OR SERIES B BONDS, AS THE CASE MAY BE, TENDERED BY THE OWNERS THEREOF. IN ADDITION, THE INITIAL LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES A VARIABLE RATE DEMAND BONDS OR THE SERIES B BONDS. THE INITIAL LIQUIDITY FACILITY DELIVERED IN SUPPORT OF THE SERIES A VARIABLE RATE DEMAND BONDS PROVIDES FOR THE PURCHASE OF TENDERED SERIES A VARIABLE RATE DEMAND BONDS ONLY AND THE INITIAL LIQUIDITY FACILITY DELIVERED IN SUPPORT OF THE SERIES B BONDS PROVIDES FOR THE PURCHASE OF TENDERED SERIES B BONDS ONLY.

Events of Default and Remedies

The following events constitute Events of Default under the Initial Liquidity Facility:

(a) The Authority shall fail to pay when due (i) any Debt of the Authority evidenced by publicly traded bonds, notes or other securities outstanding in an amount equal to or in excess of \$1,000,000, or (ii) any amounts owed by the Authority to the Bank (other than those described in paragraph (i) below) pursuant to the Initial Liquidity Facility; or

(b) Any representation or warranty made by or on behalf of the Authority in the Initial Liquidity Facility or in any Related Document or in any certificate or statement delivered thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made; or

(c) The Authority shall fail to perform or observe (i) certain terms, covenants or agreements set forth in the Initial Liquidity Facility; or (ii) certain other terms, covenants or agreements set forth in the Initial Liquidity Facility or any Related Document on its part to be performed or observed which failure continues for 30 days of more; or

(d) The long-term rating by Moody's or S&P of the Series A Variable Rate Demand Bonds or the Series B Bonds or any unenhanced Parity Debt is reduced below "A2" (or its equivalent) or "A" (or its equivalent), respectively; or

(e) Any event of default under, and as defined in, any of the Related Documents shall occur if such event of default would allow for, or has resulted in, acceleration of the amounts due thereunder; or

(f) In the case of the Series A Variable Rate Demand Bonds only, a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Series A Variable Rate Demand Bonds is includable in the gross income of the holder(s) or owner(s) of such Series A Variable Rate Demand Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted, or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law makes a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or

(g) An Event of Insolvency with respect to the Authority shall have occurred; or

(h) An Initial Liquidity Facility, the Series A Variable Rate Demand Bonds, the Series B Bonds, any Parity Debt, the Statute, the General Resolution or the Series Resolution shall be declared, by a final and nonappealable order of a court of competent jurisdiction, to be not binding in its entirety on the Authority; or

(i) An event of default by the Authority as a result of any failure, wholly or partially, to make timely any payment required to be made on the Series A Variable Rate Demand Bonds, the Series B Bonds, or any Parity Debt; or

(j) (i) The Authority shall, in writing to the Trustee, the Bank or in a public statement, (A) claim that the Statute, the General Resolution, the Series Resolution, the Series A Variable Rate Demand Bonds, the Series B Bonds, any Parity Debt or an Initial Liquidity Facility is not valid or binding on the Authority, or (B) repudiate its obligations under the Statute, the General Resolution, the Series Resolution, the Series A Variable Rate Demand Bonds, the Series B Bonds any Parity Debt or an Initial Liquidity Facility; or (ii) the Authority shall file any legal proceedings to seek an adjudication that the Statute, the General Resolution, the Series Resolution, the Series A Variable Rate Demand Bonds, the Series B Bonds, any Parity Debt or an Initial Liquidity Facility is not valid or binding on the Authority; or

(k) (i) Any Governmental Authority with jurisdiction to rule on the validity of an Initial Liquidity Facility, the Series A Variable Rate Demand Bonds, the Series B Bonds, any Parity Debt, the Statute, the General Resolution or the Series Resolution shall publicly find or rule that an Initial Liquidity Facility, the Series A Variable Rate Demand Bonds, the Series B Bonds, any Parity Debt, the Statute, the General Resolution or the Series Resolution is not valid or not binding on the Authority; or (ii) any Governmental Authority with jurisdiction over the Authority and the affairs of the Authority shall have declared or imposed a debt moratorium, debt adjustment or comparable restriction on repayment of the Series A Variable Rate Demand Bonds, the Series B Bonds or any Parity Debt; or

(l) S&P and Moody's shall have (i) assigned to the Series A Variable Rate Demand Bonds, the Series B Bonds, or any Parity Debt a rating below "BBB-", in the case of S&P, and "Baa3", in the case of Moody's, (ii) withdrawn their rating of the Series A Variable Rate Demand Bonds, the Series B Bonds or any Parity Debt, for credit-related reasons and not as a result of debt maturity, redemption or defeasance, or (iii) suspended their ratings of the Series A Variable Rate Demand Bonds, the Series B Bonds, or any Parity Debt, for credit-related reasons and not as a result of debt maturity, redemption or defeasance; or

(m) (i) A final, nonappealable judgment or order for the payment of money in excess of \$5,000,000 in the aggregate, or (ii) two or more final, nonappealable judgments or order for the payment of money in excess of \$10,000,000 in the aggregate, in either case, shall be rendered against the Authority and attach to the Trust Estate with respect to which, in the opinion of the Bank, adequate cash reserves have not been established or adequate insurance does not exist, and such judgment(s) or order(s) shall continue unsatisfied and unstayed for a period of 30 days.

Upon the occurrence of an Event of Default, the Bank may take any one or more of the following actions:

(i) In the case of an Event of Default as specified in paragraph (j) or (k)(ii) above (each a "Suspension Event"), the obligation of the Bank to purchase Eligible Bonds under the Initial Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Event of Default, the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment and of its obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. If a court with jurisdiction to rule on the validity of any of the documents described in paragraph (j) or if a court with jurisdiction to rule on any action described in paragraph (k)(ii) above shall find or rule by entry of a final and nonappealable judgment that any of the documents described in paragraph (j) is not valid or not binding on the Authority or fails to terminate an action described in paragraph (k)(ii) by entry of a final and nonappealable judgment to such effect, then the Available Commitment and the obligation of the Bank to purchase the Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no

obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of any document described in paragraph (j) or if a court with jurisdiction to terminate an action described in paragraph (k)(ii) shall find or rule by entry of a final and nonappealable judgment that such document is valid and binding on the Authority or that such action is to be terminated immediately, then the Available Commitment and the obligations of the Bank under the Initial Liquidity Facility shall thereupon be reinstated (unless the Purchase Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if three (3) years after the effective date of suspension of the obligations of the Bank as described in this paragraph, litigation is still pending and a judgment regarding the validity of any one of the documents described in paragraph (j) or an action described in paragraph (k)(ii) as the subject of such Event of Default has not been obtained, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. The Trustee shall immediately notify all Bondholders of the suspension and/or termination of the Available Commitment and the obligation of the Bank to purchase Eligible Bonds.

(ii) In the case of any Event of Default specified in paragraphs (g), (h), (i), (k)(i), (l) or (m) above (but in the case of (f), with respect to the Series A Variable Rate Demand Bonds only), the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. Promptly upon such Event of Default, the Bank shall give written notice of same to the Trustee, the Authority and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way effect the termination of the Available Commitment and of the obligations of the Bank to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. The Trustee shall immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the Bank to purchase the Eligible Bonds.

(iii) In the case of any Event of Default specified in paragraphs (a), (b), (c), (d), (e) or (f) above (but in the case of (f), with respect to the Series A Variable Rate Demand Bonds only), the Bank may give written notice of such Event of Default to the Authority, the Trustee and Remarketing Agent stating that an Event of Default has occurred under the Initial Liquidity Facility and directing that the Bonds be called for mandatory tender pursuant to the Closing Certificate (a "Default Tender") on the 30th day following receipt of such notice by the Trustee. If the Bank shall have purchased all of the Eligible Bonds pursuant to such Default Tender, the Bank may by notice to the Trustee terminate the Available Commitment and, thereafter, the Bank shall be under no further obligation under the Initial Liquidity Facility to purchase Eligible Bonds.

(iv) Upon the occurrence of any Event of Default as specified in the Initial Liquidity Facility, the Bank may take any other action or remedies available to it under the Initial Liquidity Facility, the Related Documents or otherwise pursuant to law or equity in order to enforce the rights of the Bank under the Initial Liquidity Facility, the Related Documents or otherwise; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds, to declare any amount due under the Initial Liquidity Facility due and payable, or to accelerate the maturity date of any Series E Bonds except as provided in the Initial Liquidity Facility and in the Resolutions.

The Provider of the Initial Liquidity Facility

The Bank is a wholly-owned subsidiary of Lloyds TSB Group plc ("LTSB Group"). The Bank and its subsidiaries (the "Bank's Group") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2004, total consolidated assets of LTSB Group were approximately £280 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 70,000.

The main business activities of the Bank's Group during 2004 are described below:

UK Retail Banking and Mortgages

UK Retail Banking and Mortgages provides banking and other financial services, private banking, stockbroking and mortgages to 15 million personal customers in England, Scotland and Wales.

Insurance and Investments

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services in the United Kingdom.

Wholesale and International Banking

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and small and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

The Bank's Group provides banking, investment and other financial services overseas in two main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida) and (ii) Europe and Offshore Banking. During 2004, the LTSB Group completed the disposal of substantially all of its local businesses in Argentina, Panama, Guatemala, Honduras and Colombia.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of the most recently available (i) annual Report and Accounts of LTSB Group for the fiscal year ended December 31, 2004, and (ii) Annual Report on Form 20F of LTSB Group. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance. Additional information (including a full copy of such Report and Accounts) is available from the LTSB Group web site at <http://www.investorrelations.lloydstsb.com>

Substitute Liquidity Facility

If, at any time, the Authority provides for a Substitute Liquidity Facility with respect to the Variable Rate Demand Bonds by: (1) delivering to the Trustee a Substitute Liquidity Facility therefor, and (2) complying with the requirements set forth in the next succeeding paragraph, then the Trustee shall give prompt notice to each Rating Agency, the Authority, the Remarketing Agent, the provider of the existing Liquidity Facility and the Bondowners of Variable Rate Demand Bonds then payable from such Liquidity Facility that the Authority has obtained a Substitute Liquidity Facility and that the then current Liquidity Facility for which a substitute has been obtained will be canceled on the earliest to occur of: (i) the applicable Liquidity Facility Expiration Date, or (ii) the date the Trustee has delivered a certificate to the provider of the applicable Liquidity Facility, specifying that the Liquidity Facility shall terminate pursuant to the terms of the Liquidity Facility; provided that the then current Liquidity Facility will not be canceled prior to the Trustee's receipt of amounts from the Liquidity Facility to pay the Purchase Price of Variable Rate Demand Bonds tendered on the Substitution Date, to the extent remarketing proceeds are not available. The notice shall state: (a) the principal terms of the Substitute Liquidity Facility; (b) that the Variable Rate Demand Bonds to which it applies shall be subject to optional tender on the Substitution Date pursuant to the General Resolution, and explaining the terms of such optional tender; and (c) the effect, if any, such replacement and cancellation will have on the ratings assigned to the Variable Rate Demand Bonds entitled to the benefit of such Liquidity Facility by each Rating Agency. The Authority shall forward to the Trustee upon receipt any rating letters from any Rating Agency with respect to the Variable Rate Demand Bonds and the Substitute Liquidity Facility.

Any Substitute Liquidity Facility shall meet the following criteria:

(a) Any Substitute Liquidity Facility shall provide that funds may be advanced for the purposes, in the amounts and at the times provided in the Series Resolution, and shall contain administrative provisions satisfactory to the Trustee.

(b) Any Substitute Liquidity Facility shall have a term of not less than the lesser of 364 days or the remaining term of the Liquidity Facility which such Substitute Liquidity Facility is replacing, and expire not less than five days after the next succeeding Interest Payment Date after the Substitution Date for each Variable Rate Demand Bond to be entitled to the benefit of such Substitute Liquidity Facility.

(c) At least five Business Days prior to the delivery to the Trustee of the Substitute Liquidity Facility as provided in the preceding paragraph, the Trustee shall have received an irrevocable commitment to issue or enter into such replacement, and on the Substitution Date the Trustee shall have received an opinion of counsel regarding the Substitute Liquidity Facility that meets the requirements of the General Resolution.

(d) No Substitute Liquidity Facility shall be effective unless the issuer of a Substitute Liquidity Facility shall purchase all Purchased Bonds held by or for the account of the provider of the prior Liquidity Facility on the Substitution Date.

(e) The Trustee shall have given an Optional Tender Notice for an optional tender on the Substitution Date to which the Substitute Liquidity Facility relates.

If, on the date 45 days prior to the Liquidity Facility Expiration Date, the Liquidity Facility has not been renewed, extended or replaced nor has the Authority obtained a written commitment for such renewal, extension or replacement, the Trustee shall promptly give notice to the Bondowners of the Variable Rate Demand Bonds secured by such Liquidity Facility that (i) the Liquidity Facility is scheduled to expire and stating the date of such expiration; (ii) the Authority has not obtained a renewal, extension or substitution of said Liquidity Facility; and (iii) the Variable Rate Demand Bonds shall be subject to mandatory tender for purchase pursuant to the Series Resolution, and explaining the terms of such mandatory tender.

Other than in connection with a Substitute Liquidity Facility, neither the Trustee nor the Authority shall terminate or surrender any Liquidity Facility while any Variable Rate Demand Bonds secured thereby are Outstanding. In the event that the Variable Rate Demand Bonds secured by such Liquidity Facility have been retired in part or have been converted in part to Fixed Rate Bonds, and the available amount of the Liquidity Facility is to be reduced accordingly, the Trustee shall take such action as is necessary under the Liquidity Facility to reduce the amount available to be drawn thereunder and, if required by the terms of the Liquidity Facility, shall exchange the Liquidity Facility for a revised form of Liquidity Facility.

If at any time while any Variable Rate Demand Bonds are in the Weekly Mode or the Adjustable Mode with an Interest Period such that the Variable Rate Demand Bonds have a short-term rating, if any rating of the Liquidity Provider should fall below "A-1" from S&P or "P-1" from Moody's, the Authority shall within 30 days use its best efforts to provide for a Substitute Liquidity Facility.

THE SERIES A AND B BONDS

General

The moneys made available by the issuance of the Series A Bonds will be used to purchase new Mortgage Loans, to refund certain bonds of the Authority thereby making available moneys to purchase new Mortgage Loans, to make a deposit in the Debt Service Reserve Fund and to pay costs of issuance, and moneys made available by the issuance of the Series B Bonds will be used to refund the 1995 Series CD Bonds and to pay costs of issuance. See "SOURCES AND USES OF FUNDS" elsewhere herein. Principal and interest on the Series A and B Bonds are payable by the Trustee to The Depository Trust Company, as described below. In any case where the date on which principal or interest is due on the Bonds is not a Business Day, then payment of such interest or principal will not be made on such date but will be made on the next succeeding Business Day, with the same force and effect as if made on the due date, and no interest shall accrue for the period after such date.

The Series A and B Bonds will be dated the date of delivery, will bear interest at the rate or rates, and will mature on the dates and in the amounts, shown on the inside front cover of this Official Statement. The Series A and B Bonds other than the Variable Rate Demand Bonds shall be referred to herein collectively as the "Fixed Rate Bonds."

Interest Provisions

Fixed Rate Bonds

The Fixed Rate Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 principal amount or any integral multiple of \$5,000 in excess thereof. The Fixed Rate Bonds will bear interest from their dated date, on the basis of a 360-day year consisting of twelve 30-day months, with interest payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2005.

Variable Rate Demand Bonds

The Variable Rate Demand Bonds are issuable only as fully registered bonds without coupons in denominations of \$100,000 principal amount or any integral multiple of \$5,000 in excess thereof.

Interest on the Variable Rate Demand Bonds shall accrue from the date of delivery of those bonds and shall be payable in arrears. Interest on the Variable Rate Demand Bonds will be payable on the applicable Interest Payment Dates. When the Variable Rate Demand Bonds are in Weekly Mode, interest will be payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2005, as well as on each Mode Adjustment Date. When the Variable Rate Demand Bonds are in an Adjustable Mode with an Adjustable Period of less than one year, interest will be payable on the Business Day after the last day of any such Adjustable Period. Interest will be computed, when the Variable Rate Demand Bonds are in a Weekly Mode or Adjustable Mode with an Adjustable Period of less than one year, on the basis of a 365/366-day year for the number of days actually elapsed.

Interest will be payable to the Bondowners determined as of the close of business on the relevant Record Date, which in the case of Variable Rate Demand Bonds in a Weekly Mode and Variable Rate Demand Bonds in an Adjustable Mode with an Adjustable Period of less than one year, will be the Business Day immediately preceding the applicable Interest Payment Date.

Interest Rate for the Variable Rate Demand Bonds

The Variable Rate Demand Bonds when in the Weekly Mode or Adjustable Mode will bear interest at a rate established by the Remarketing Agent on each Rate Determination Date. During each "Rate Period," the interest rate for the Variable Rate Demand Bonds in a particular Interest Mode will be the rate which, in the sole and exclusive judgment of the Remarketing Agent, would equal (but not exceed) the interest rate necessary to enable the Remarketing Agent to sell such Bonds (exclusive of accrued interest, if any) on the Rate Adjustment Date and for such Rate Period at a price equal to 100% of their principal amount; provided, however, that such interest rate shall not exceed the Maximum Rate. The Rate Adjustment Date for the Variable Rate Demand Bonds in a Weekly Mode

is the applicable Mode Adjustment Date, when adjusting to a Weekly Mode, and Wednesday of each week thereafter, and for Variable Rate Demand Bonds in an Adjustable Mode is the first day of each Adjustable Period. A "Rate Period" means the period commencing from and including a Rate Adjustment Date to but excluding the next Rate Adjustment Date. While the Variable Rate Demand Bonds are in the Weekly Mode, each Weekly Rate shall be effective on each Wednesday (or in the case of the initial Weekly Rate, the date of delivery of the Variable Rate Demand Bonds) and shall continue in effect through the next succeeding Tuesday, provided that if any Variable Rate Demand Bonds in a Weekly Mode are converted to another Interest Mode prior to such Tuesday, then such Weekly Mode shall continue in effect only until the day preceding the applicable Mode Adjustment Date.

In determining the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent is to have due regard for general financial conditions and such other conditions as, in the judgment of the Remarketing Agent, will have a bearing on the interest rate on the Variable Rate Demand Bonds, including the tender provisions applicable to the Variable Rate Demand Bonds during the forthcoming Rate Period. Each determination of the interest rate for the Series A Variable Rate Demand Bonds will be conclusive and binding upon the Bondowners, the Authority, the Remarketing Agent, the Trustee, the Liquidity Provider and any Paying Agent. Each determination of the interest rate for the Series B Bonds will be conclusive and binding upon the Bondowners, the Authority, the Remarketing Agent, the Trustee, the Liquidity Provider and any Paying Agent. Each month during which the Remarketing Agent determines the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent will give the Trustee, any Paying Agent, the Authority and the Liquidity Provider) notice by facsimile transmission of the interest rate determined for any Variable Rate Demand Bonds on any Rate Determination Date during the period covered by the report. Upon telephonic request, the Remarketing Agent will give any Variable Rate Demand Bond Bondowner notice of the interest rate on the Variable Rate Demand Bonds owned by such Bondowner. Failure by the Remarketing Agent to give any notice required under the General Resolution, or any defect in the notice, will not affect the interest rate borne by the Variable Rate Demand Bonds or the applicable Interest Mode or the rights of the Bondowners of the Variable Rate Demand Bonds to tender their Variable Rate Demand Bonds for purchase in accordance with the provisions of the Series Resolution.

If for any reason the Remarketing Agent fails to determine the interest rate or rates in accordance with the General Resolution, or the interest rate or rates on the Variable Rate Demand Bond during any Rate Period cannot be established as described above, or is held invalid or unenforceable by a court of law, the interest rate or rates on such Variable Rate Demand Bonds for such Rate Period will be a rate or rates determined by the Remarketing Agent with the consent of an Authorized Representative, which rate or rates shall not be less than 80% nor more than 130% of the Interest Index (defined below). If for any reason the interest rate or rates for the Variable Rate Demand Bonds cannot be established for any Rate Period as described in the preceding sentence, or such method is held invalid or unenforceable by a court of law, the interest rate or rates on the Variable Rate Demand Bonds for such Rate Period will equal the Interest Index or, with respect to Additional Bonds, such other rate established by the Authority in a Supplemental General Resolution. In no event shall the rate or rates on the Variable Rate Demand Bonds exceed the Maximum Rate. The "Interest Index" a) for the Series A Variable Rate Demand Bonds is: (i) with respect to the Series A Variable Rate Demand Bonds in a Weekly Mode, the BMA Municipal Swap Index published by Municipal Market Data, and (ii) with respect to the Series A Variable Rate Demand Bonds in an Adjustable Mode, the Municipal Market Data Scale published by Thomson Financial for a period comparable to the applicable Adjustable Period, provided that for maturities of years for which generic quotes are not available, a straight-line interpolation will be used, and b) for the Series B Bonds is: (i) with respect to the Series B Bonds in a Weekly Mode, LIBOR, as defined below, and (ii) with respect to the Series B Bonds in an Adjustable Mode, the U.S. Treasury rate for a period comparable to the applicable Adjustable Period, provided further that if the bond ratings change on the Variable Rate Demand Bonds and another generally available published index (which publication may be by electronic means) more closely reflects the market for the Variable Rate Demand Bonds in the Adjustable Mode for an Adjustable Period of one year or greater, the Remarketing Agent, with the consent of an Authorized Representative, has discretion to select such index as the Interest Index for such Variable Rate Demand Bonds, and, in any event, not to exceed the Maximum Rate.

"LIBOR" will be the per annum rate for deposits in United States dollars for one month which appears on the Bloomberg British Bankers' Association Official LIBOR Fixings page ("BBA Official LIBOR Fixings Page" as defined below) as of 11:00 a.m. London, England time, on the Rate Determination Date rounded, if necessary, upwards to the nearest one-hundredth of one percent (0.01%). If such rate does not appear on the BBA Official

LIBOR Fixings Page or if fewer than two offered rates appear, LIBOR will be determined on such date as described in the paragraph below.

“BBA Official LIBOR Fixings Page” means the display designated as page “Official LIBOR Fixings” on the Bloomberg Financial Markets Commodities News Service (or such other page as may replace the Official LIBOR Fixings page on that service for the purpose of displaying London interbank offered rates of major banks).

If on such Rate Determination Date fewer than two offered rates appear on the BBA Official LIBOR Fixings Page, the Trustee will request the principal London Office of each of two major banks that are engaged in transactions in the London interbank market, as determined by the Trustee, to provide the Trustee with its offered quotation for United States dollar deposits for one month to prime banks in the London interbank market as of 11:00 a.m., London, England time, on such date. If at least two such major banks provide the Trustee with such offered quotations, LIBOR on such date will be the arithmetic mean, rounded, if necessary, upward to the nearest one-hundredth of one percent (0.01%), of all such quotations. If on such date fewer than two of the major banks provide the Trustee with such an offered quotation, LIBOR on such date will be the arithmetic mean, rounded, if necessary, upward to the nearest one-hundredth of one percent (0.01%) of the offered rates that one or more leading banks in the City of New York are quoting as of 11:00 a.m., New York City time, on such date to leading European banks for United States Dollar deposits for one month; provided, however, that if such New York banks are not quoting as described above, LIBOR will be the LIBOR applicable to the immediately preceding weekly Rate Period.

Maximum Rate for Variable Rate Demand Bonds

The Maximum Rate is, with respect to any Series A Variable Rate Demand Bonds, other than Purchased Bonds, 12% per annum. The Maximum Rate, with respect to any Series B Bonds, other than Purchased Bonds, is 15% per annum. There is no maximum rate with respect to Purchased Bonds.

Interest Rate on Purchased Variable Rate Demand Bonds

Purchased Bonds will bear interest at the rate or rates, and shall be payable in such amounts and in such manner, as provided in the applicable Liquidity Facility.

Interest Rate on Variable Rate Demand Bonds in Fixed Mode

The Variable Rate Demand Bonds will bear interest at the Fixed Rate from the date on which the Authority converts the interest rate on such Bonds to a Fixed Rate until their maturity or redemption. Once converted to the Fixed Mode, such Bonds will no longer be eligible for tender for purchase or for conversion to any other Interest Mode and, with regard to the Variable Rate Demand Bonds, the Authority will no longer be obligated to maintain a Liquidity Facility in respect thereof.

Interest Mode Adjustment Provisions for Variable Rate Demand Bonds

The Variable Rate Demand Bonds are Variable Rate Demand Bonds under the General Resolution and bear interest at Variable Interest Rates, initially in a Weekly Mode bearing interest at a Weekly Rate. At the option of the Authority and upon certain conditions, the Variable Rate Demand Bonds may be converted from time to time to a Weekly Mode, an Adjustable Mode or a Fixed Mode (collectively, the “Interest Modes”). Interest Modes are discrete time periods that control the frequency with which the interest rate on the Variable Rate Demand Bonds is determined by the Remarketing Agent. Any Variable Rate Demand Bonds converted to the Fixed Mode will no longer be eligible for tender for purchase or for conversion to any other Interest Mode and the Authority will not be obligated to maintain a Liquidity Facility in respect of such Bonds in a Fixed Mode.

Any change of Interest Mode from the Weekly Mode or Adjustable Mode may take place on any “Mode Adjustment Date.” A “Mode Adjustment Date” is the Business Day on which (i) the Interest Mode for any Variable Rate Demand Bond is changed from one Interest Mode to a different Interest Mode, and (ii) any Adjustable Mode for any Variable Rate Demand Bond begins, even if the preceding Interest Mode for such Variable Rate Demand Bond was also an Adjustable Mode. A Mode Adjustment Date may be any Business Day during the Weekly Mode and any

Rate Adjustment Date during any Adjustable Mode. The interest rate during any Interest Mode will be determined by the Remarketing Agent on each date set forth as a "Rate Determination Date" for each Interest Mode. The "Rate Determination Date" for Variable Rate Demand Bonds in a Weekly Mode is the Business Day preceding the Mode Adjustment Date and the Business Day preceding the Rate Adjustment Date of each week thereafter, and for Variable Rate Demand Bonds in an Adjustable Mode is the date that is not earlier than the 15th Business Day before and not later than each Rate Adjustment Date.

Upon any change in the Interest Mode or continuance in an Adjustable Mode but for a different Adjustable Period than the one in effect, the affected Variable Rate Demand Bonds are subject to mandatory tender for purchase to the Trustee. Notice of a change in the Interest Mode and any related mandatory tender must be sent to the Bondowners by mail not less than 15 days prior to the change in the Interest Mode; provided, however, that in the case of any Variable Rate Demand Bond in an Adjustable Mode with an Adjustable Period of less than one year, the notice may be given by the Trustee contemporaneously with the original purchase of such Variable Rate Demand Bonds. See "THE SERIES A AND B BONDS – Tender of Variable Rate Demand Bonds for Purchase."

If the Authority desires to convert any Variable Rate Demand Bonds to an Adjustable Mode or to continue an Adjustable Mode after the date on which the current Adjustable Mode will end, (a) the length of the Adjustable Period may not extend beyond the earlier of the Scheduled Tender Date or the final maturity date of such Bonds and in no event beyond the expiration date of the Liquidity Facility, (b) the Liquidity Facility must be modified to increase, if necessary, the interest component of its stated amount to cover the length of the Adjustable Period, and (c) a Rating Certificate must be delivered to the Trustee.

If (i) on the Proposed Mode Adjustment Date, the conditions to the effectiveness of the change are not met, (ii) on the Business Day preceding a scheduled Mode Adjustment Date, the Remarketing Agent notifies the Trustee and the Authority that such Variable Rate Demand Bonds cannot be remarketed, or (iii) by the Business Day preceding a scheduled Mode Adjustment Date, the Authority notifies the Trustee and the Remarketing Agent that the Authority has decided not to convert all of the Variable Rate Demand Bonds to the proposed Interest Mode, then such Bonds shall remain in their then Interest Mode.

This Official Statement is not intended to describe the terms of the Variable Rate Demand Bonds after their conversion to an Adjustable Mode of one year or more or a Fixed Mode.

Tender of Variable Rate Demand Bonds for Purchase

Tender at Option of Bondowner

Any Variable Rate Demand Bonds in the Weekly Mode (other than Purchased Bonds or Bonds held by the Authority) are subject to tender for purchase by the Bondowner on any Business Day, upon notice as described below. Variable Rate Demand Bonds (other than Purchased Bonds or Variable Rate Demand Bonds held by or on behalf of the Authority), are also subject to optional tender on (i) the date specified in a notice of optional tender given in connection with the delivery by the Authority to the Trustee of a Substitute Liquidity Facility and given not less than 45 days prior to the Liquidity Facility Expiration Date (the "Substitution Date"); and (ii) the date which is not less than one (1) business day before the next Liquidity Facility Expiration Date (the "Scheduled Tender Date"), provided, the Authority has renewed, extended or replaced the Liquidity Facility or the Authority has obtained a commitment for renewal, extension or replacement of the Liquidity Facility. Such Bonds are subject to purchase at the option of the Bondowner at the "Purchase Price" (i.e., their principal amount plus any accrued interest to the Purchase Date at the rate applicable to the Bond). To exercise this option, a Bondowner must give an irrevocable notice of tender (the "Tender Notice") stating: (i) the name and address of the registered owner, (ii) the principal amount of the Variable Rate Demand Bonds being tendered, (iii) the certificate number and CUSIP number of each Variable Rate Demand Bond being tendered, and (iv) the Purchase Date. Such notice must be given to the Trustee or its agent during normal business hours at its (or its agent's) office designated for such purpose on a Business Day at least seven calendar days prior to the Purchase Date which shall be any Business Day.

Mandatory Tender of Variable Rate Demand Bonds

Variable Rate Demand Bonds (other than Purchased Bonds or Variable Rate Demand Bonds held by or on behalf of the Authority), are subject to mandatory tender (without any right to retain) on (i) the Scheduled Tender Date, provided, the Liquidity Facility has not renewed, extended or replaced the Liquidity Facility or the Authority has not obtained a commitment for renewal, extension or replacement of the Liquidity Facility, (ii) each Mode Adjustment Date (but only with respect to such Variable Rate Demand Bonds as are affected by such change in Interest Mode); and (iii) for any Variable Rate Demand Bonds in the Adjustable Mode, the first day of each Adjustable Period on which the interest rate determined for such Adjustable Mode shall become effective.

Mandatory Tender of Variable Rate Demand Bonds on Special Mandatory Tender Date

Variable Rate Demand Bonds (other than Purchased Bonds or Variable Rate Demand Bonds held by or on behalf of the Authority) are also subject to mandatory tender for purchase, to the extent required by the Liquidity Facility, on the Business Day specified in a written notice from the Liquidity Provider to the Trustee as the date on which the Variable Rate Demand Bonds must be tendered as the result of certain "events of default" under the Liquidity Facility, which date shall not be later than the 30th day following the date of such written notice (the "Special Mandatory Tender Date"). Such notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondowner receives the notice. See "SECURITY FOR THE BONDS – The Liquidity Facility for Variable Rate Demand Bonds – Events of Default" for a description of events of default under the Initial Liquidity Facilities that will give rise to a Mandatory Tender on a Special Mandatory Tender Date, as well as a description of events of default under the Initial Liquidity Facilities that give rise to an automatic suspension or termination of the Initial Liquidity Facilities without a Mandatory Tender.

Notice of Mandatory Tender of Variable Rate Demand Bonds

The Trustee shall provide notice (a "Mandatory Tender Notice") to any Bondowner of Variable Rate Demand Bonds of any mandatory tender to which such Variable Rate Demand Bonds are subject. The Mandatory Tender Notice will be made by first-class mail at least 15 days prior to the Purchase Date (provided that in the case of any Variable Rate Demand Bond in an Adjustable Mode with an Adjustable Period of less than one year, the Mandatory Tender Notice may be given contemporaneously with the original purchase of such Variable Rate Demand Bond, except for a Mandatory Tender Notice for a Special Mandatory Tender, which shall be given 15 days prior to a Mandatory Tender Date), and the notice will identify the Variable Rate Demand Bonds to be tendered, the reason for the mandatory tender, the Purchase Price, the Purchase Date, the place and manner of payment, and that no further interest will accrue to the Bondowner on such Variable Rate Demand Bond after the Purchase Date. Any properly mailed Mandatory Tender Notice will be conclusively presumed to have been duly given, whether or not received by the Bondowner of a Variable Rate Demand Bond.

Notice of Optional Tender of Variable Rate Demand Bonds

The Trustee shall provide notice (an "Optional Tender Notice") to any Bondowner of Variable Rate Demand Bonds of any optional tender to which such Variable Rate Demand Bonds are subject. The Optional Tender Notice will be made by first-class mail at least 15 days prior to the Purchase Date (provided that in the case of any Variable Rate Demand Bond in an Adjustable Mode with an Adjustable Period of less than one year, the Optional Tender Notice may be given contemporaneously with the original purchase of such Variable Rate Demand Bond), and the notice will identify the Variable Rate Demand Bonds that may be tendered, the reason for the optional tender, the Purchase Price, the Purchase Date and the place and manner of payment. Any properly mailed Optional Tender Notice will be conclusively presumed to have been duly given, whether or not received by the Bondowner of a Variable Rate Demand Bond.

Tender Provisions for Variable Rate Demand Bonds

Each Bondowner of Variable Rate Demand Bonds agrees to tender its Variable Rate Demand Bonds to the Trustee for purchase on the date prescribed by the Tender Notice or Mandatory Tender Notice. The Trustee will hold all tendered Variable Rate Demand Bonds (or portions thereof) for the benefit of the respective Bondowners until

moneys representing the Purchase Price of such Variable Rate Demand Bonds (or portions thereof) are delivered to or for the account of or to the order of such Bondowners.

Any Variable Rate Demand Bonds that are not delivered to the Trustee in the time, place, and manner required by an applicable Tender Notice or Mandatory Tender Notice shall be deemed tendered and purchased by the Trustee on the Purchase Date. Interest accruing on such Variable Rate Demand Bonds on and after the Purchase Date will not be payable to such nontendering Bondowners, and such nontendering Bondowners will have recourse solely to the funds held by the Trustee for the purchase of such Variable Rate Demand Bonds.

Remarketing of Variable Rate Demand Bonds

The Remarketing Agent will offer for sale for the account of each Bondowner and use its best efforts to sell an aggregate principal amount of Variable Rate Demand Bonds equal to the amount of Variable Rate Demand Bonds tendered at the option of the Bondowner or which are required to be tendered for purchase, on the Purchase Date for such Variable Rate Demand Bonds or as soon thereafter as possible, without selling any such Bonds at a discount or premium; provided, however, that Variable Rate Demand Bonds tendered on a Special Mandatory Tender Date shall not be remarketed and the Purchase Price of the Variable Rate Demand Bonds shall be payable solely from amounts received from the applicable Liquidity Facility, and provided further that the Variable Rate Demand Bonds tendered on a "Liquidity Facility Expiration Date" shall be remarketed only in the Fixed Mode. "Liquidity Facility Expiration Date" means the last scheduled date upon which Variable Rate Demand Bonds may be required to be purchased by the Liquidity Provider pursuant to the applicable Liquidity Facility or a Substitute Liquidity Facility other than by reason of an Automatic Termination Event (as defined herein, in the case of the Initial Liquidity Facilities) or other event of default under the Liquidity Facility, as such date may be extended from time to time.

From and after the date of any remarketing of any Variable Rate Demand Bonds at a Fixed Rate (the "Fixed Rate Conversion Date"), interest on such Bonds will be payable at rates to be determined by the Remarketing Agent, prior to such Fixed Rate Conversion Date, to reflect market conditions at that time.

Payment of Purchase Price of Variable Rate Demand Bonds

The Purchase Price of Variable Rate Demand Bonds tendered or required to be tendered for purchase will be paid, first (except in the case of a Special Mandatory Tender Date), from amounts derived from the remarketing of the Variable Rate Demand Bonds; and second, from amounts derived from a draw on the Liquidity Facility. In the case of a Special Mandatory Tender Date, the Purchase Price of the Variable Rate Demand Bonds so tendered will be paid solely from amounts derived from a draw on the Liquidity Facility.

If sufficient funds for the payment of the Purchase Price are held by the Trustee on the Purchase Date, a Bondowner's only rights with respect to the Variable Rate Demand Bonds required to be tendered for purchase will be to receive payment of the Purchase Price. If the Variable Rate Demand Bonds are surrendered to the Trustee at or prior to 11:00 a.m., New York City time, on the Purchase Date, then payment of the Purchase Price will be made in immediately available funds on the Purchase Date. The Purchase Price of a Variable Rate Demand Bond delivered after the time stated above is to be paid on the later of the next Business Day following (i) the Purchase Date, or (ii) the date of delivery of such Variable Rate Demand Bond.

Payment of the Purchase Price shall be made by wire transfer to any Bondowner of at least \$1,000,000 aggregate principal amount of Variable Rate Demand Bonds upon written notice from such Bondowner accompanying the applicable Tender Notice delivered to the Trustee and containing the wire transfer address, which must be in the continental United States.

Notwithstanding the foregoing, if Variable Rate Demand Bonds in the Weekly Mode are held with a Book-Entry Depository, a Beneficial Owner shall have the right to optionally tender for purchase its beneficial interest in any Outstanding Bonds (or portion thereof in an Authorized Denomination) as described below. Such right shall be exercised by delivery by the Beneficial Owner to the Remarketing Agent at its principal office of an irrevocable written notice identifying the name and address of such Beneficial Owner and stating that such Beneficial Owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be purchased, the amount of

such interest to be purchased, the date on which such interest will be purchased (which date shall be a Business Day at least seven days after delivery of such notice to the Remarketing Agent) and specifying the Remarketing Agent as the Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner shall cause its beneficial ownership interest in the Variable Rate Demand Bonds (or the portion thereof specified in the foregoing notice) being purchased to be transferred to the Remarketing Agent at or prior to 11:00 a.m., New York City time, on the optional tender date, in accordance with the rules and procedures of the applicable Book-Entry Depository.

Authorized Denominations for Variable Rate Demand Bonds

A Variable Rate Demand Bond may be tendered in whole or in part as described above, provided that in the case of a tender in part, both the portion of such Bond tendered and the portion retained is in an "Authorized Denomination," which is \$100,000 or any integral multiple of \$5,000 in excess thereof.

Swap Agreement for Series A Variable Rate Demand Bonds

In connection with the Series A Variable Rate Demand Bonds, the Authority expects to enter into a variable to fixed interest rate swap agreement (the "Swap Agreement") with Merrill Lynch Capital Services, Inc. (the "Swap Provider"). In general, the Swap Agreement provides that, subject to the terms and conditions thereof, the Swap Provider will pay to the Trustee a floating amount based on variable rate indices and the Authority will pay the Swap Provider a fixed amount, in each case with reference to a notional amount equal to the principal amount of the related Series A Variable Rate Demand Bonds. The amounts payable to the Swap Provider under the Swap Agreement, other than termination payments, will be secured by the pledge of the General Resolution on a parity basis with the Bonds, and amounts payable to the Trustee will be deemed to be Revenues under the General Resolution. The obligation of the Authority to make termination payments to the Swap Provider under the Swap Agreement will be a general unsecured obligation of the Authority.

Under certain circumstances, the Swap Agreement is subject to termination prior to the maturity of the Series A Variable Rate Demand Bonds to which they relate and prior to the respective scheduled termination dates thereof. In the event of an early termination of the Swap Agreement, there can be no assurance that (i) the Authority will receive any termination payment payable to it by the Swap Provider, (ii) the Authority will have sufficient amounts to make a termination payment payable by it to the Swap Provider, or (iii) the Authority will be able to obtain a replacement swap agreement with comparable terms. Payments due upon early termination may be substantial.

The Authority is obligated to make debt service payments on the Series A Variable Rate Demand Bonds regardless of the performance of the Swap Provider of its obligations under the Swap Agreement. The agreement by the Swap Provider to pay amounts to the Authority under the Swap Agreement does not affect the Authority's obligation to pay the principal of, premium, if any, and interest on the Series A Variable Rate Demand Bonds. Neither the holders of the Series A Variable Rate Demand Bonds nor any other person other than the Authority will have any rights under any Swap Agreement or against the Swap Provider.

Redemption Provisions

Special Redemption – General

The Series A and B Bonds (except as provided in clause (i) below with respect to the Series B Bonds) shall be subject to redemption, in whole or in part, at any time, at a price equal to 100% of the principal amount thereof, plus accrued interest, upon notice as provided in the General Resolution, from (i) unexpended moneys designated to purchase Mortgage Loans as a result of the issuance of the Series A Bonds, (ii) moneys representing Prepayments, including moneys received by the sale, assignment, endorsement or other disposition of some or all of the Mortgage Loans by the Authority (see "Prepayments," as defined under "SECURITY FOR THE BONDS – Pledge of the General Resolution"), (iii) certain excess Revenues, and (iv) reductions in the Debt Service Reserve Fund. Except as otherwise described below, the Series A and B Bonds to be redeemed pursuant to these special redemption provisions shall be redeemed as hereafter described from all maturities and by lot within a maturity. The Authority

may, at its discretion, purchase mortgage loans from sources other than the proceeds of the Series A Bonds, even though such proceeds are available to purchase Mortgage Loans.

Prepayments, excess Revenues and reductions in the Debt Service Reserve Fund include not only those derived by the Authority from the Series A and B Bonds but also those derived by the Authority with respect to Bonds other than the Series A and B Bonds, to the extent permitted by the appropriate series resolution. In addition, the Series Resolution provides that Prepayments (after applying Prepayments from Series A Mortgage Loans as described in the following paragraphs), and excess Revenues derived by the Authority with respect to the Series A and B Bonds may be used, at the discretion of the Authority to redeem Bonds other than the Series A and B Bonds, provided that the Authority files a Cash Flow Certificate with the Trustee evidencing that such redemption will have no material adverse effect on its ability to pay debt service on the Series A and B Bonds and evidencing asset-to-liability coverage in each 12-month period ending on September 1 (a "Bond Year") not substantially less than the coverage as evidenced in the cash flow analyses provided to Standard & Poor's Ratings Services and Moody's Investors Service in connection with the ratings on the Series A and B Bonds. As described under "HOME OWNERSHIP MORTGAGE LOAN PROGRAM – Federal Recapture Provisions," the Code provides that the mortgagor of a Mortgage Loan financed after December 31, 1990 is liable for a "recapture tax" under certain circumstances upon the disposition of the residence financed with the proceeds of the Series A and B Bonds. The Authority is unable to predict to what extent, if any, these recapture provisions will impede its ability to purchase Mortgage Loans or the effect, if any, such provisions will have on the Prepayments or other experience of such Series A Mortgage Loans.

Notwithstanding the foregoing, Prepayments received in connection with Mortgage Loans purchased with moneys made available by the issuance of the Series A Bonds shall be: (i) used to redeem specific maturities of the Series A Bonds, (ii) deposited in the Bond Proceeds Account to purchase Mortgage Loans, or (iii) deposited in the Special Redemption Account and used to redeem Series A Bonds or other Bonds.

Whenever moneys and securities held for the credit of the General Reserve Account, the Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay, purchase or redeem the Bonds in whole on the next succeeding interest payment date, the Trustee shall apply such moneys, at the direction of an Authorized Officer, to the payment, purchase or redemption of the Bonds.

Special Redemption from Unexpended Proceeds

Moneys made available by the issuance of the Series A and B Bonds designated for but not expended to purchase Mortgage Loans may be transferred to the Special Redemption Account to redeem Series A and B Bonds on a date not later than October 12, 2008.

Special Redemption from Series A Mortgage Loan Prepayments

A portion of Prepayments with respect to the Series A Mortgage Loans received more than ten years after the date of issuance of the Series A Bonds (or the date of issuance of the original refunded bond obligations in the case of a refunding or a series of refundings) are hereinafter referred to as "Restricted Prepayments." Restricted Prepayments shall be applied to redeem the Series A Bonds unless changes to the federal tax code make such redemptions unnecessary.

Restricted Prepayments shall be calculated by multiplying the Prepayments received with respect to the Series A Mortgage Loans by the percentage set forth below:

<u>For the Period Ending</u>	<u>Cumulative Percentage</u>	<u>For the Period Ending</u>	<u>Cumulative Percentage</u>
September 1, 2005	0.80%	March 1, 2011	24.70%
March 1, 2006	0.90	September 1, 2011	24.70
September 1, 2006	1.60	March 1, 2012	24.80
March 1, 2007	1.80	September 1, 2012	25.00
September 1, 2007	6.70	March 1, 2013	25.00
March 1, 2008	8.20	September 1, 2013	25.00
September 1, 2008	16.90	March 1, 2014	25.00
March 1, 2009	18.70	September 1, 2014	25.00
September 1, 2009	24.60	March 1, 2015	25.00
March 1, 2010	24.60	September 1, 2015	100.00
September 1, 2010	24.70	and thereafter	

The Authority expects that Restricted Prepayments shall first be applied to redeem the Series A Variable Rate Demand Bonds due on March 1, 2036 ("Series A 2036 Bonds"), if and to the extent that the principal amount of such Bonds then outstanding exceeds the 2005 Series A 2036 target outstanding balance (the "Series A 2036 Target Balance") for the related date as provided below.

Targeted Balances for the Series A Variable Rate Demand Bonds Due on March 1, 2036

<u>Date</u>	<u>Series A 2036 Target Balance</u>	<u>Date</u>	<u>Series A 2036 Target Balance</u>
September 1, 2006	\$91,110,000	September 1, 2021	\$41,700,000
March 1, 2007	91,085,000	March 1, 2022	40,185,000
September 1, 2007	91,030,000	September 1, 2022	38,715,000
March 1, 2008	90,920,000	March 1, 2023	37,290,000
September 1, 2008	90,810,000	September 1, 2023	35,905,000
March 1, 2009	90,535,000	March 1, 2024	34,560,000
September 1, 2009	90,230,000	September 1, 2024	33,255,000
March 1, 2010	89,825,000	March 1, 2025	31,990,000
September 1, 2010	89,435,000	September 1, 2025	30,175,000
March 1, 2011	89,050,000	March 1, 2026	28,385,000
September 1, 2011	88,675,000	September 1, 2026	26,640,000
March 1, 2012	87,025,000	March 1, 2027	24,925,000
September 1, 2012	85,360,000	September 1, 2027	23,250,000
March 1, 2013	83,620,000	March 1, 2028	21,615,000
September 1, 2013	81,865,000	September 1, 2028	20,015,000
March 1, 2014	78,905,000	March 1, 2029	18,445,000
September 1, 2014	75,665,000	September 1, 2029	16,915,000
March 1, 2015	72,410,000	March 1, 2030	15,415,000
September 1, 2015	69,180,000	September 1, 2030	13,955,000
March 1, 2016	65,995,000	March 1, 2031	12,525,000
September 1, 2016	62,860,000	September 1, 2031	11,130,000
March 1, 2017	59,775,000	March 1, 2032	9,765,000
September 1, 2017	57,370,000	September 1, 2032	8,435,000
March 1, 2018	55,020,000	March 1, 2033	7,135,000
September 1, 2018	52,725,000	September 1, 2033	5,865,000
March 1, 2019	50,495,000	March 1, 2034	4,630,000
September 1, 2019	48,325,000	September 1, 2034	3,420,000
March 1, 2020	46,520,000	March 1, 2035	2,245,000
September 1, 2020	44,865,000	September 1, 2035	1,100,000
March 1, 2021	43,260,000	March 1, 2036	-0

Upon redemption of all outstanding Series A Variable Rate Demand Bonds, or to the extent Restricted Prepayments are in excess of what is required to achieve the expected Series A 2036 Target Balance for any related date such Restricted Prepayments may, in the Authority's discretion, subject to the requirements of the General Resolution and federal tax law, be applied to the redemption of Series A Bonds of such maturities as the Authority may elect at its option.

Prepayments related to the Series A Mortgage Loans other than the Restricted Prepayments (the "Unrestricted Prepayments"), are expected to be applied first to redeem the Series A 2036 Bonds to the extent necessary to achieve the Series A 2036 Target Balance for any related date. To the extent Unrestricted Prepayments are in excess of what is expected to achieve the Series A 2036 Target Balance for any related date, such Unrestricted Prepayments may, in the Authority's discretion, subject to the requirements of the General Resolution and federal tax law, be

applied to the purchase of additional Mortgage Loans, the redemption of Series A Bonds or any other Bonds of such maturities as the Authority may elect at its option.

The Series A 2036 Target Balances set forth above are derived from assumptions that include, among other assumptions, the expected origination schedule for Series A Mortgage Loans, the receipt of Series A Mortgage Loan Prepayments at a rate equal to 75% of the Bond Market Association's (formerly known as the Public Securities Association) ("PSA") standard prepayment model for 30-year mortgage loans.

Optional Redemption for Fixed Rate Bonds

On and after September 1, 2014, the Fixed Rate Bonds are redeemable from any source, at par, in whole or in part at any time, from any maturities selected by the Authority, and by lot within a maturity plus accrued interest to the date of redemption, all in the manner provided by the General Resolution.

Optional Redemption for Variable Rate Demand Bonds

The redemption provisions described below are applicable to the Variable Rate Demand Bonds while they are in a Weekly Mode or an Adjustable Mode with an Adjustable Period of less than one year. Redemption provisions applicable to Variable Rate Demand Bonds in an Adjustable Mode with an Adjustable Period of one year or more or in a Fixed Mode will be determined as provided in the Series Resolution at the time such Variable Rate Demand Bonds, or portions thereof, are converted to an Adjustable Mode with an Adjustable Period of one year or more or to a Fixed Mode, as applicable. Such provisions include mandatory sinking fund redemption and special redemption from unexpended proceeds and certain Revenues.

The Variable Rate Demand Bonds (including Purchased Bonds) shall be subject to redemption and may be redeemed prior to the scheduled maturity thereof, at the option and direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount of the Variable Rate Demand Bonds or portions thereof to be redeemed, plus accrued interest thereon from the most recent Interest Payment Date to the redemption date, on any Business Day (i) in the case of a redemption of some or all Variable Rate Demand Bonds in a Weekly Mode, (ii) in the case of a redemption of Variable Rate Demand Bonds in an Adjustable Mode for an Adjustable Period of less than one year, or (iii) in the case of a redemption of Purchased Bonds and as required by the terms of the applicable Liquidity Facility.

Sinking Fund Redemption

The Series A Bonds maturing on March 1, 2025 and March 1, 2036, and the Series B Bonds (the "Term Bonds") are subject to mandatory redemption prior to maturity from Sinking Fund Installments, which are required to be made in amounts sufficient to redeem on the dates identified below the respective principal amounts of such Bonds specified as follows for each such date. The particular Term Bonds to be redeemed will be selected, within such respective maturities, by the Trustee in any manner deemed equitable by the Trustee. The redemption price will be equal to 100% of the principal amount plus accrued interest to the date of redemption, all in the manner provided in the Series Resolution.

Series A Bonds due March 1, 2025

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
September 1, 2017	\$ 795,000	September 1, 2021	\$ 940,000
March 1, 2018	815,000	March 1, 2022	960,000
September 1, 2018	830,000	September 1, 2022	980,000
March 1, 2019	845,000	March 1, 2023	1,000,000
September 1, 2019	865,000	September 1, 2023	1,025,000
March 1, 2020	885,000	March 1, 2024	1,045,000
September 1, 2020	900,000	September 1, 2024	1,065,000
March 1, 2021	920,000	March 1, 2025	1,090,000 *

* Final Maturity

Series A Bonds due March 1, 2036

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2012	\$ 1,290,000	September 1, 2024	\$ 1,070,000
September 1, 2012	1,315,000	March 1, 2025	1,090,000
March 1, 2013	1,340,000	September 1, 2025	2,225,000
September 1, 2013	1,365,000	March 1, 2026	2,270,000
March 1, 2014	1,390,000	September 1, 2026	2,315,000
September 1, 2014	1,420,000	March 1, 2027	2,360,000
March 1, 2015	1,445,000	September 1, 2027	2,405,000
September 1, 2015	1,475,000	March 1, 2028	2,455,000
March 1, 2016	1,505,000	September 1, 2028	2,500,000
September 1, 2016	1,535,000	March 1, 2029	2,550,000
March 1, 2017	1,565,000	September 1, 2029	2,600,000
September 1, 2017	800,000	March 1, 2030	2,650,000
March 1, 2018	815,000	September 1, 2030	2,700,000
September 1, 2018	830,000	March 1, 2031	2,755,000
March 1, 2019	850,000	September 1, 2031	2,810,000
September 1, 2019	870,000	March 1, 2032	2,865,000
March 1, 2020	885,000	September 1, 2032	2,920,000
September 1, 2020	905,000	March 1, 2033	2,975,000
March 1, 2021	925,000	September 1, 2033	3,035,000
September 1, 2021	945,000	March 1, 2034	3,095,000
March 1, 2022	965,000	September 1, 2034	3,155,000
September 1, 2022	985,000	March 1, 2035	3,215,000
March 1, 2023	1,005,000	September 1, 2035	3,275,000
September 1, 2023	1,025,000	March 1, 2036	3,340,000 *
March 1, 2024	1,045,000		

* Final Maturity

Series B Bonds due September 1, 2035

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2006	\$ 70,000	March 1, 2021	\$ 165,000
September 1, 2006	70,000	September 1, 2021	170,000
March 1, 2007	75,000	March 1, 2022	175,000
September 1, 2007	75,000	September 1, 2022	180,000
March 1, 2008	75,000	March 1, 2023	190,000
September 1, 2008	80,000	September 1, 2023	195,000
March 1, 2009	80,000	March 1, 2024	200,000
September 1, 2009	85,000	September 1, 2024	205,000
March 1, 2010	85,000	March 1, 2025	210,000
September 1, 2010	90,000	September 1, 2025	220,000
March 1, 2011	90,000	March 1, 2026	225,000
September 1, 2011	95,000	September 1, 2026	230,000
March 1, 2012	100,000	March 1, 2027	240,000
September 1, 2012	100,000	September 1, 2027	245,000
March 1, 2013	105,000	March 1, 2028	250,000
September 1, 2013	105,000	September 1, 2028	260,000
March 1, 2014	110,000	March 1, 2029	270,000
September 1, 2014	115,000	September 1, 2029	275,000
March 1, 2015	115,000	March 1, 2030	285,000
September 1, 2015	120,000	September 1, 2030	290,000
March 1, 2016	125,000	March 1, 2031	300,000
September 1, 2016	130,000	September 1, 2031	310,000
March 1, 2017	130,000	March 1, 2032	320,000
September 1, 2017	135,000	September 1, 2032	330,000
March 1, 2018	140,000	March 1, 2033	340,000
September 1, 2018	145,000	September 1, 2033	350,000
March 1, 2019	150,000	March 1, 2034	360,000
September 1, 2019	155,000	September 1, 2034	370,000
March 1, 2020	155,000	March 1, 2035	380,000
September 1, 2020	160,000	September 1, 2035	395,000 *

*Final Maturity

Notice of Redemption

Notice of redemption of any Series A Bond or any Series B Bond, all or a portion of which is to be redeemed, will be mailed to DTC not more than 60 days nor less than 30 days prior to the date fixed for redemption. See "THE SERIES A AND B BONDS – Bonds in Book-Entry Form" herein.

If notice of redemption is given as provided in the General Resolution and if on the date fixed for redemption moneys for redemption of the Series A and B Bonds, or portions thereof, so called for redemption, together with interest accrued thereon to the date fixed for redemption, is available for such payment, then from and after the date fixed for redemption interest on such Series A and B Bonds so called for redemption shall cease to accrue.

Information Regarding Outstanding Bonds

The following table shows the Outstanding Bonds under the General Resolution by series and the coupon ranges and the principal amounts thereof. The Authority considers numerous factors when determining which particular Bonds are to be selected for redemption from time to time. Such factors include, but are not limited to, (i) constraints imposed by federal tax law, (ii) General Resolution or particular series resolution redemption provisions regarding within-series bond redemptions and cross-series bond redemptions, (iii) economic considerations as to interest costs

on Outstanding Bonds compared to estimated interest costs on anticipated future bond issues to refund or replace such Outstanding Bonds and (iv) annual cashflow balances between Bond debt service requirements and the scheduled Mortgage Repayments or projected Prepayments on its Mortgage Loans. These factors are regularly being reviewed, together with the record of the actual Mortgage Repayments and Prepayments and, accordingly, no assumptions or representations can be made as to how or which of these or other factors will affect the determination, from time to time, of the Authority as to which particular Bonds the Authority will select for redemption.

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As of December 31, 2004
(In Thousands of Dollars)

Bond Series	Dated	Original Issue Amount	Bonds Outstanding	Bond Rates										Mortgages Originated	Mortgages Outstanding	Rate								
				< 5.00%		5.00% &		> or = 5.50%		< 6.00%		6.00% &					> or = 6.50%		> or = 7.00%		> or = 7.50%		> or = 8.00%	
1987 Series A	05/01/87	44,625	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,994	765	8.85%
1987 Series B&C	08/01/87	100,000	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94,745	2,100	8.75%
1987 Series D&E	12/01/87	42,000	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,369	3,071	7.22%
1992 Series A&B	03/01/92	96,285	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,794	0	8.05%
1994 Series A&B	04/15/94	82,645	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,965	0	7.73%
1995 Series C,D&E	05/15/95	100,000	13,450	-	-	-	-	6,715	6,735	-	-	-	-	-	-	-	-	-	-	-	-	109,697	11,692	7.49%
1995 Series F,G&H	09/01/95	70,000	4,665	-	-	345	475	3,845	-	-	-	-	-	-	-	-	-	-	-	-	-	73,116	8,718	7.58%
1997 Series G,H&I	11/01/97	75,000	13,345	1,400	9,080	2,865	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,274	11,941	6.79%
1998 Series D&E	06/15/98	115,000	30,095	7,550	22,545	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,731	27,570	6.52%
2000 Series A,B&C	03/15/00	70,000	14,855	-	1,625	10,070	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,430	13,161	7.58%
2000 Series G&H	11/01/00	60,000	19,275	10,935	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,320	16,610	7.69%
2002 Series A,B,C&D	02/06/02	135,565	100,150	52,200	17,895	30,055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,770	89,582	5.74%
2002 Series I&J	10/17/02	95,000	88,905	88,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96,553	82,142	5.66%
2003 Series B	07/29/03	110,000	106,460	106,460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,226	102,228	5.38%
2004 Series A	04/29/04	130,000	130,000	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120,218	118,749	5.43%
2004 Series B	04/29/04	6,295	6,295	6,295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,959	9,159	7.71%
General Resolution (1)	n/a	n/a	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,769	3,593	5.28%
Totals		1,332,415	527,495	403,745	51,490	50,180	10,580	8,340	0	8,340	3,160	1,308,930	501,082											

(1) Mortgages originated in the General Resolution with Excess Revenues and not associated with a Bond Series.

Bonds in Book-Entry Form

The Series A and B Bonds will be available in book-entry form only. Purchasers of the Series A and B Bonds will not receive certificates representing their interest in the Series A and B Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series A and B Bonds. The Series A and B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series A Bond certificate and one fully-registered Series B Bond certificate will be issued for each maturity of such Bonds, as applicable; each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series A and B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A and B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series A and B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's 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 A and B Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series A and B Bonds, except in the event that use of the book-entry system for the Series A and B Bonds is discontinued.

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

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

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

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

Principal and interest payments on the Series A and B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

Neither the Authority nor the Trustee will have any responsibility or obligation to such Participants, or to the persons for whom they act as nominees with respect to the Series A and B Bonds, or to any Beneficial Owner in respect to the accuracy of any records maintained by DTC or any Participant or Indirect Participant, the payment by DTC or any Participant or Indirect Participant of any amount in respect of the principal, accreted value or Redemption Price of or interest on the Series A and B Bonds, any notice which is permitted or required to be given to the Bondowners under the General Resolution, the selection by DTC or any Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of the Series A and B Bonds, or other action taken by DTC as registered bondowner.

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

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

So long as Cede & Co. is the registered Owner of the Series A and B Bonds, as nominee of DTC, references herein to Bondowners as registered Owner of the Bonds shall mean DTC or its nominee, Cede & Co., and shall not mean the Beneficial Owners of the Series A and B Bonds. Beneficial Owners of the Series A and B Bonds may desire to take certain steps to augment transmission to them of notices of significant events with respect to the Series A and B Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series A and B Bonds may wish to ascertain that the nominee holding the Series A and B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them. No failure of DTC nor Cede & Co. (nor such other DTC nominee) to advise any Direct Participant, or of any Direct Participant or Indirect Participant to advise a Beneficial Owner, of any notice of redemption or its content or effect will affect the validity of the redemption of the Bonds called for redemption or any other action premised on such notice.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy or completeness thereof.

SOURCES AND USES OF FUNDS

The moneys made available by the issuance of the Series A Bonds will be used to purchase new mortgage loans. The moneys made available by the issuance of the Series B Bonds will be used to refund the 1995 Series CD Bonds. The moneys made available by the issuance of the Series A and B Bonds will be disbursed by the Trustee as follows:

Sources:

Par Amount of Series A and B Bonds	\$131,200,000
Available Funds of the Authority	1,000,000
Transferred Debt Service Reserve Fund	492,600
Total Sources	\$132,692,600

Uses:

Deposit to the Bond Proceeds Account to Purchase Series A Mortgage Loans ⁽¹⁾⁽²⁾	\$117,517,063
Refunding of the 1995 Series CD Bonds	11,200,000
Deposit to Debt Service Reserve Fund	2,624,000
Underwriters' Compensation	442,531
Other Costs of Issuance ⁽³⁾	909,006
Total Uses	\$132,692,600

⁽¹⁾The Authority anticipates that this amount will enable the Authority to purchase approximately \$116,353,528 of Series A Mortgage Loans. The amount differs from the principal amount of the purchased Mortgage Loans because Mortgage Loans are expected to be purchased at an average price of 101% of their face value. See "HOME OWNERSHIP MORTGAGE LOAN PROGRAM – Underwriting of Mortgage Loans."

⁽²⁾A portion of this amount will be applied to repay amounts drawn by the Authority under its \$15,000,000 line of credit with Wells Fargo Bank, National Association, which amounts were originally drawn by the Authority to purchase Mortgage Loans that upon repayment of the line of credit will secure the Bonds.

⁽³⁾Includes \$224,000 redemption premium on 1995 Series CD Bonds.

HOME OWNERSHIP MORTGAGE LOAN PROGRAM

General

The Series A Mortgage Loans will be part of the Home Ownership Mortgage Loan Program described below.

Since 1980, the Authority has marketed \$5,399,160,000 in mortgage revenue bonds under various resolutions, including the General Resolution, and has used the proceeds to provide over 92,790 qualified home buyers with the means to purchase their own homes. For additional information regarding mortgage revenue bonds previously issued by the Authority under its various bond resolutions, see "PRIOR SINGLE FAMILY BOND ISSUES" and "EXHIBIT B – OUTSTANDING BONDS AND NOTES OF THE AUTHORITY." The proceeds from the moneys made available by the issuance of the Series A Bonds will be available on a first-come, first-served basis to all Eligible Borrowers. See "Eligible Borrowers" below.

Lenders participating in the Program have entered into Purchase and Service Agreements, Loan Purchase Agreements or Loan Servicing Agreements (collectively, including amendments thereto, the "Agreements"), pursuant to which the Authority agrees to purchase Mortgage Loans from the Lenders. Agreements (or provisions thereof) relating to the origination of Mortgage Loans are referred to herein as "Purchase Agreements" and Agreements (or provisions thereof) relating to the servicing of Mortgage Loans are referred to herein as "Servicing Agreements." The Purchase Agreements incorporate the Program's Origination Manual (the Purchase Agreements and the Program's Origination Manual are herein collectively referred to as the "Origination Manual"), which sets forth the guidelines and procedures for participation in the Program and the requirements for origination of Mortgage Loans. The Servicing Agreements incorporate the Program's Servicing Manual (the provisions of the

Servicing Agreements and the Program's Servicing Manual are herein collectively referred to as the "Servicing Manual"), which sets forth the guidelines and procedures for participation in the Program and the requirements for servicing of Mortgage Loans. The Origination Manual and the Servicing Manual may be amended, and different forms of the Agreements may be adopted, from time to time by the Authority. All capitalized terms used under this caption and not otherwise defined herein or in the General Resolution have the same meaning as in the Origination Manual and the Servicing Manual.

The Authority establishes interest rates for its Mortgage Loans on a weekly basis, after considering interest rates then being charged for conventional, market-rate loans. The Authority has announced that it may, from time to time, charge interest rates on Mortgage Loans originated in certain areas in the State at very low interest rates. Thus, the average interest rate for all Mortgage Loans financed from an issue of Bonds cannot be known until after all of the Mortgage Loans financed from that issue have been originated. The Authority intends that the average yield on the Mortgage Loan portfolio of each issue will pay the expenses of the Program and the debt service on the Bonds of that issue, but will not exceed the maximum yield permitted by federal tax law.

The Authority may originate some Series A Mortgage Loans at very low interest rates in order to ensure compliance with federal tax law (the "Tax Compliance Mortgage Loans"). In the Tax Certificate relating to the Series A Bonds, the Authority will agree to reserve a portion of the proceeds of the Series A Bonds until the Authority calculates the yield on the Series A Mortgage Loans originated to that date, to determine the rates at which the remaining portion of the Series A Mortgage Loans may be originated to remain in compliance with federal income tax laws. The Authority shall originate all or a portion of such remainder at rates at or near the interest rate of previously originated Mortgage Loans and, if necessary, the balance in Tax Compliance Mortgage Loans. In previous bond issues with a similar agreement, the Authority has originated or reserved for origination approximately 1.00% of the principal amount of the bond issues in Tax Compliance Mortgage Loans.

The Authority also makes loans secured by a second mortgage on the Single Family Residence being acquired, which is subordinate only to the Mortgage which secures the Mortgage Loan on such Single Family Residence (each is a "Home Plus Loan"). Home Plus Loans provide financing to an Eligible Borrower for down payment and closing costs and/or a line of credit for future home improvement or repairs on the Single Family Residence financed by a Mortgage Loan. That portion of a Home Plus Loan which is drawn at closing to fund the down payment and/or closing costs of the acquisition of the Single Family Residence financed by a Mortgage Loan for an Eligible Borrower is known as a "DPA Loan," and the remaining portion of the Home Plus Loan proceeds available for home improvements after the DPA Loan, if any, has been funded is known as a "Home Improvement Loan." The Authority may purchase DPA Loans from available funds on deposit under the General Resolution. DPA Loans are not covered by mortgage pool insurance policies, the Pool Insurance Reserve Fund, hazard insurance policies or the Special Hazard Insurance Reserve Fund.

The Authority's experience with its single family housing programs has been that demand for Mortgage Loans financed under its Program tends to fluctuate depending on the relative attractiveness of interest rates on funds available from other sources. Competition in making Mortgage Loans in Wisconsin normally comes primarily from savings and loan associations, banking institutions, credit unions and mortgage bankers in the area. In addition, the State on behalf of the Department of Veterans Affairs has sold bonds to finance single family housing programs for veterans in Wisconsin. Although the Authority is unable to predict if or when the State on behalf of the Department of Veterans Affairs will issue bonds to finance single family housing or if interest rates on FHA or conventionally financed mortgage loans will change, the Authority believes that the expected interest rates on the Mortgage Loans will be competitive with rates offered by alternative sources.

Eligible Borrowers

All Mortgage Loans must be made to Eligible Borrowers. The Authority has covenanted to comply with the income requirements of both state and federal law. To be eligible, a Borrower generally may not have had an ownership interest in a principal residence at anytime during the three years preceding the date the Mortgage is executed.

Section 143 of the Code requires that all Mortgage Loans must be made to Borrowers whose family income is 115% or less (100% or less for families of fewer than three individuals) of the applicable median family income, except that one-third of the amount of Mortgage Loans for Targeted Area residences may be made to Borrowers who do not

satisfy this requirement if the remainder of the Mortgage Loans in Targeted Areas are made to Borrowers whose family income is 140% or less (120% or less for families of fewer than three individuals) of the applicable median family income. All Mortgage Loans must meet the requirements set forth in Section 143 of the Code. The Authority has adopted a procedure for calculating family income which complies with the requirements of Section 143 of the Code. The Authority may, in its discretion, establish family income limits lower than those permitted under the Code.

Qualified Property

Mortgage Loans which may be purchased must be secured by a mortgage on a Single Family Residence, defined as a single family or two- to four-family residential housing structure or condominium and appurtenant facilities intended for occupancy by an owner-occupant as his or her principal residence, including appurtenant land required for livability which does not provide other than incidental income to the Borrower; provided, however, that any existing two- to four-family residence shall have been first occupied as a residence at least five years before the Mortgage is executed. In addition, the proceeds of a Mortgage Loan may, under certain circumstances, be used in connection with the purchase and rehabilitation or rehabilitation of a Single Family Residence and construction of two-family residences in Targeted Areas.

Section 143 of the Code requires that the purchase price of a residence financed with proceeds of tax-exempt bonds not exceed 90% of the average purchase price for residences in the applicable area (110% in Targeted Areas). The purchase price limits currently used by the Authority are: (i) for single-family residences in non-Targeted Areas, \$204,432; and (ii) for single-family residences in Targeted Areas, \$249,861.

Certain Terms of Mortgage Loans and Interest Only Mortgage Loans

No Mortgage Loan may exceed 97% of the lesser of the purchase price of the mortgaged Single Family Residence or its Established Value. Mortgage Loans will be for a term not exceeding 30 years. Except in certain limited circumstances and except for the Authority's Fixed - Interest Only Loan Program (the "Interest Only Program"), the repayment of principal and interest will be scheduled so that the Borrower will make equal monthly payments over the term of the Mortgage Loan. A Mortgage Loan made under the Authority's Interest Only Program (an "Interest Only Mortgage Loan") has a term of 30 years, however, only interest payments on the principal amount of the Interest Only Mortgage Loan are made for the first 7 years. Thereafter, the Borrower is required to make level payments of principal and interest to amortize the principal balance over the remaining 23 years. Mortgage Loans, including Interest Only Mortgage Loans, are prepayable in whole or in part by the Borrower at any time without penalty. Each Mortgage Loan must be secured by a first lien mortgage on the mortgaged real estate and may not be used to finance the acquisition or replacement of any existing mortgage, except temporary initial financing and/or a mortgage incurred to finance rehabilitation.

Qualified Lender

Mortgage Loans may be purchased from any qualified savings and loan association, commercial banking institution, credit union, mortgage banker or lending institution approved by the Authority. The Authority annually reviews certain information for 33% of the Lenders. Such information includes the Lender's financial condition, organization and staffing, origination activity and volume, servicing volume and experience and other facts the Authority considers relevant to determine whether the institution is qualified to act as a Lender. Each Lender must maintain a fidelity bond and errors and omissions coverages, and any other insurance coverages deemed necessary by the Authority, in appropriate amounts naming the Authority as insured. A Lender approved by Fannie Mae ("Fannie Mae") or Federal Home Loan Mortgage Corporation ("FHLMC") automatically qualifies without further review by the Authority.

Underwriting of Mortgage Loans

The Lender performs the initial underwriting of the Mortgage Loan. Credit underwriting must be in compliance with accepted mortgage industry underwriting standards and standards approved by the pool insurer, if any, and, for Mortgage Loans required to have private mortgage insurance, standards approved by the qualified private mortgage

insurer. The Origination Manual generally is consistent with the Fannie Mae underwriting guidelines. The Lender must obtain an Application Package consisting of all required credit and employment information, appraisals, affidavits, certificates and other documents required by the Origination Manual with respect to each Mortgage Loan and forward the Application Package to the Authority. The Authority will review the Application Package for each Mortgage Loan and, if acceptable, will send an acceptance letter to the Lender. The Authority may delegate to some Lenders credit underwriting authority with regard to Mortgage Loans and DPA Loans.

The Authority gives Lenders the option to process, underwrite and close loan applications that have been approved through either Freddie Mac or Fannie Mae's automated underwriting systems. A process is in place to provide Lenders with confirmation from the Authority that the applicant meets compliance requirements prior to closing the loan. Applications processed through this procedure will be audited post-closing.

On the day the Mortgage Loan is closed, the Authority will transfer, generally through the ACH (Automated Clearing House) disbursing system, funds to the Lender in an amount necessary to purchase the applicable Mortgage Loan. Prior to disbursing such funds, the Lender must have received and reviewed (i) a promissory installment note evidencing the Mortgage Loan, which has been endorsed by the Lender to the Authority, (ii) a mortgage securing the Mortgage Loan which has been assigned by the Lender to the Authority and which must be properly recorded immediately after closing, (iii) a title insurance policy in an amount at least equal to the greater of (a) the amount necessary to avoid application of the coinsurance clause in the homeowner's insurance policy, or (b) the unpaid principal amount of the Mortgage Loan, and (iv) a private mortgage insurance policy or binder, if necessary, and homeowner's insurance policy or binder as more fully described under "DESCRIPTION OF INSURANCE."

Each Purchase Agreement incorporates by reference certain representations and warranties by the Lender to the Authority required by the Origination Manual concerning each Mortgage Loan being sold to the Authority, including, among others, that at the time of delivery of such Mortgage Loan to the Authority (i) there will be no default or delinquency under the Mortgage Loan, (ii) the Mortgage Loan will be secured by a mortgage with a valid and existing first lien on the mortgaged property, (iii) the mortgage and assignment of mortgage have been properly recorded, (iv) the improvements constituting part of the mortgaged property will be covered by hazard insurance in certain specified amounts, and (v) the Mortgage Loan meets the criteria for a Mortgage Loan set forth in the Origination Manual (which includes all requirements of state and federal law, including Section 143 of the Code, as applicable).

If in the sole judgment of the Authority the Lender has made a misrepresentation of material fact or has breached representations in the Lender's warranty, or if the Lender defaults in the observance of any condition of the Purchase Agreement or the Origination Manual, the Lender is required to repurchase the Mortgage Loan within ten days of the Authority's written tender for an amount equal to the unpaid principal balance, plus accrued interest and any reasonable expense incurred by the Authority on the Mortgage Loan.

Lenders that receive delegated credit underwriting authority will receive the greater of 1.1% (or such other amount as the Authority may from time to time determine) of the principal amount of each Mortgage Loan originated or \$750 (or such other amount as the Authority may from time to time determine). Lenders that have not received delegated credit underwriting authority will receive the greater of 0.9% (or such other amount as the Authority may from time to time determine) or \$600 (or such other amount as the Authority may from time to time determine).

Servicing

Not all Lenders (or their holding company affiliates) act as servicers (each, a "Servicer" and together, the "Servicers") for the Mortgage Loans which they originate. If a Lender does not desire to act as a Servicer or does not service an Authority-specified number of loans, the Authority or another Servicer will act as Servicer in the Lender's place. The Authority is currently servicing approximately 30% of all single family mortgage loans under the Program.

The Servicer is responsible for collecting and remitting to the Authority the principal and interest payments on the Mortgage Loans and any other sums paid by Borrowers which the Agreements require to be remitted. Under the Servicing Manual, the Servicer must deposit all payments of principal and interest and other moneys received on account of the Mortgage Loan being serviced at an institution (which may be the Servicer) whose accounts are

insured by the Federal Deposit Insurance Corporation ("FDIC"). From the funds so deposited the Servicer must pay, when due, mortgage and hazard insurance premiums, taxes and special assessments. Whenever \$2,500 is collected, the Servicer is to remit to the Authority the payments received on account of principal and interest. The General Resolution provides that such money so collected by the Authority be deposited in the General Reserve Account held by the Trustee. In addition, the Servicer is required to account for and manage escrows of sums paid by the Borrower for payment of taxes, assessments and mortgage insurance premiums and other expenses and to ensure that hazard insurance meeting the requirements of the Agreement is at all times maintained with respect to each Mortgage Loan. In the case of default under any Mortgage Loan, the Servicer must, upon the Authority's request, take all reasonable steps to acquire, on behalf of and in the name of the Authority, title to the mortgaged property by the conveyance of a deed in lieu of foreclosure or by foreclosure. For servicing each Mortgage Loan, the Servicer is entitled to an annual fee of 1/4 of 1% of the outstanding principal amount of the Mortgage Loan for all loans for which payment was received. Such fee will be deducted monthly from payments made by Borrowers prior to the remittance of such payments to the Authority.

If the Authority determines that a Servicer has failed to service loans pursuant to the terms of its Servicing Agreement and the Servicing Manual, such Servicing Agreement may be terminated by the Authority. Furthermore, if the Authority's security for any Mortgage Loan is substantially impaired as a result of the Servicer's negligence, the Authority may tender and the Servicer is required to repurchase the Mortgage Loan for an amount equal to the unpaid principal balance, plus accrued interest and reasonable expenses incurred by the Authority with respect to the Mortgage Loan.

Each Servicer will be obligated to maintain throughout the term of the Servicing Agreement, at its expense, a fidelity bond, fire and extended coverage insurance on its office, theft insurance and errors and omissions insurance. Such bonds and insurance policies must be in amounts reasonably calculated to protect the Authority from loss under the Servicing Agreement. Any amounts collected under any such policy or bond with respect to related losses on the Mortgage Loans or revenues therefrom shall be deposited into the General Reserve Account.

Targeted Areas and Other Set-Asides

Pursuant to Section 143 of the Code, Targeted Areas have been established for the Program. Targeted Areas consist of certain census tracts in the State of Wisconsin in which 70% of the families have an annual income of 80% or less of the statewide median income or areas determined by the State and approved by the Secretaries of Treasury and Housing and Urban Development to be areas of chronic economic distress. Areas of chronic economic distress which have been designated and approved to date in the State include sixteen entire counties, three entire municipalities, and various census tracts in twelve other communities. Designation of additional areas of chronic economic distress may be made from time to time.

Section 143 of the Code requires that at least 20% of the nonrefunding proceeds of mortgage revenue bonds such as the Bonds be set-aside for a one-year period for the origination of mortgage loans in Targeted Areas (the "Targeted Area Set-Aside"). From the proceeds of the Series A Bonds, \$17,973,692 will be reserved for the purchase of Mortgage Loans in Targeted Areas. Over the previous nine years, the Authority has utilized over 100% of its Targeted Set-Aside for Mortgage Loans in Targeted Areas.

Section 143 Mortgage Eligibility Requirements

Applicable provisions of Section 143 provide that interest on obligations of a governmental unit such as the Authority issued to finance single family residences or improvements to such residences is excludable from gross income for federal income tax purposes only if such obligations constitute "qualified mortgage bonds". Under Section 143, a qualified mortgage bond is a bond the proceeds of which are used to finance owner-occupied residences and which meets certain requirements with respect to terms, amount and purpose of the obligations, arbitrage earnings, the use of the funds generated by the issuance of such obligations, the nature of the residence and the loan and the eligibility of the Borrower executing the loan.

Section 143 imposes significant limitations on the financing of Series A Mortgage Loans. The applicable loan eligibility requirements are (i) that the residence for which the Mortgage Loan is made is a Single Family Residence which, at the time the Mortgage Loan is made is, or can reasonably be expected within a reasonable time to become,

the principal residence of the mortgagor and is located in the State; (ii) except in certain limited circumstances, that no part of the proceeds is to be used to acquire or replace any existing mortgage, except for the replacement of temporary initial financing; (iii) that the acquisition cost of the residence meets certain limits; (iv) except in Targeted Areas and under other limited circumstances, lendable bond proceeds shall be made available to mortgagors who have not had a present ownership interest in a principal residence during the preceding three years; (v) that all Mortgage Loans be made to mortgagors whose family income is 115% or less (100% or less for families of fewer than three individuals) of the applicable median family income, except that one-third of the amount of mortgages for residences in Targeted Areas may be made to mortgagors who do not satisfy this requirement if the remainder of the mortgages in Targeted Areas are made to mortgagors whose family income is 140% or less (120% or less for families of fewer than three individuals) of the applicable median family income; and (vi) that the Mortgage Loans shall not be assumable unless all of these requirements are met at the time of the assumption.

An issue is treated as meeting the loan eligibility requirements of Section 143 only if (i) the issuer in good faith attempted to meet all of the requirements before the loans were executed, (ii) 95% or more of the proceeds of the issue used to make Mortgage Loans was devoted to residences which met all such requirements at the time the Mortgage Loans were executed or assumed, and (iii) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered. In determining whether 95% of the proceeds have been so used, the Authority is entitled to rely on an affidavit of each Eligible Borrower and on each Eligible Borrower's federal income tax returns for the three years preceding the date of the Mortgage Loan, unless the Authority knows or has reason to believe that such information is false.

The Authority has established procedures and requirements in the Origination Manual and other Program documents in order to assure that the applicable loan eligibility requirements of Section 143 are met. Under the terms of the Agreements, Lenders are required to review each application for Mortgage Loan financing to assure that the Mortgage Loan will be eligible for financing under the Origination Manual. The Authority will require each Eligible Borrower to execute a sworn affidavit attesting to his or her compliance with the Mortgage Loan eligibility requirements. The Mortgage will provide that such Mortgage Loan is not assumable except upon written approval of the Authority and the Pool Insurer, and only if (i) an agreement is entered into by the person assuming the Mortgage Loan, and (ii) the person assuming the Mortgage Loan qualifies as an Eligible Borrower and complies with the applicable Section 143 Mortgage Loan eligibility requirements.

Additionally, the Authority will require Lenders to follow interpretations and guidelines set forth in the Origination Manual in reviewing the eligibility of the Mortgage Loan, in investigating the proposed Borrower's application and in verifying that the proposed Mortgage Loan is in compliance with the provisions of the Origination Manual. Each Mortgage Loan is reviewed by the Authority for Section 143 compliance.

The Code also contains requirements which govern the structure of each issue of Bonds, the principal amount of each series of Bonds and arbitrage earnings and the use of certain funds generated by issuance of each issue of Bonds. The Resolutions and the Agreements have been designed to satisfy these structuring requirements. The Authority has covenanted to meet these requirements when the Series A Bonds are issued, and the Authority has agreed to take all steps necessary to comply with these requirements so long as any Series A Bonds are outstanding.

Federal Recapture Provisions

Section 143(m) of the Code provides that the mortgagor of a Mortgage Loan financed after December 31, 1990 is liable for an additional tax on a portion of the gain upon the disposition of the residence financed, if the disposition occurs within nine years of the date of purchase, as a recapture of a portion of the benefit to the mortgagor of the tax-exempt bond financing. The amount of the recapture is 6.25% of the highest principal amount of the Mortgage Loan times a fraction based on the period of time which the residence was owned. The recapture amount can never exceed 50% of the gain (if any) on the disposition of the mortgagor's interest in the residence. Further, the recapture amount may be reduced based upon the mortgagor's income during the year in which the residence is disposed. The Code requires the Authority to inform the mortgagors of the potential recapture and to provide the mortgagor within 90 days after the Mortgage Loan is originated a statement specifying the recapture amount (without regard to the length of time the residence would be owned) and the amounts of qualifying income for each year during the nine-year period for each category of family size. The Authority is unable to predict to what extent, if any, these recapture provisions will impede its ability to purchase Mortgage Loans, or the effect, if any, such provisions will

have on the prepayments or other experience regarding Mortgage Loans financed from the proceeds of an issue of Bonds.

Foreclosure Procedure

As permitted under Wisconsin law each mortgage securing a Mortgage Loan provides that the holder thereof may waive any claim for a deficiency judgment beyond recovery of the mortgaged property itself and, because of such waiver, the statutory redemption period is shortened to six months. The Authority normally makes every reasonable effort to allow the Borrower to correct any default before proceeding with foreclosure. In the case of a nonmonetary default, approximately ten months normally elapse between the date the Authority first becomes aware of the default and the date the mortgaged property is sold at a foreclosure sale. In foreclosure actions involving monetary defaults, approximately eighteen months normally elapse from the date the Authority first learns of the default to the date the mortgaged property is sold at a foreclosure sale.

PRIOR SINGLE FAMILY BOND ISSUES

The Program was established in August 1980. To fund the Program, the Authority has issued \$5,399,160,000 in mortgage revenue bonds under various resolutions, including the General Resolution, and has used the proceeds to finance more than 92,790 mortgage loans. Generally, the mortgage proceeds were made available at 30-year fixed interest rates ranging from a high of 13.75% to a low of 4.75%. Of this amount, approximately \$33,370,000 of bonds had been called as of December 31, 2004 from unexpended bond proceeds. The Authority has not issued an unexpended proceeds call in excess of \$100,000 since March 1, 1994. As of December 31, 2004, not more than \$67,703,000 of all lendable proceeds from the Authority's mortgage revenue bonds issued prior to such date was uncommitted or committed but undisbursed, as follows:

Home Ownership Revenue Bonds	Uncommitted	Issued Under General Resolution Initially Adopted In	Committed but Undisbursed ⁽¹⁾
2002 Series A,B,C&D	0	1987	\$ 6,022,000
2002 Series E,F,G&H	0	1988	9,457,000
2002 Series I&J	0	1987	2,960,000
2003 Series A	0	1988	3,078,000
2003 Series C	0	1988	5,189,000
2004 Series A	0	1987	5,618,000
2004 Series C&D	0	1988	7,920,000
2004 Series E	0	1988	<u>27,459,000</u>
		TOTAL	\$ 67,703,000

⁽¹⁾Includes Prepayments and excess Revenues currently being recycled into new Mortgage Loans.

In addition, as of March 18, 2005, the Authority has committed approximately \$80,000,000 of Mortgage Loans which can be allocated to future bond issues, including, but not limited to, the Series A Bonds.

For additional information regarding mortgage revenue bonds previously issued by the Authority under its various bond resolutions, see "EXHIBIT B - OUTSTANDING BONDS AND NOTES OF THE AUTHORITY."

The Authority's delinquency and foreclosure experience for all 18,555 single family mortgage loans outstanding as of December 31, 2004, is as follows:

Delinquency and Foreclosure Schedule

	Delinquencies Under General Resolution	Delinquencies on all Single Family Mortgages ⁽¹⁾
30 Days (one payment) Delinquent	2.11%	2.09%
60 Days (two payments) Delinquent	0.34%	0.32%
90 Days and more Delinquent	0.24%	0.17%
In foreclosure	0.43%	0.49%
Total (including loans in foreclosure) Delinquent	3.12%	3.07%

⁽¹⁾Includes all single family mortgage loans outstanding, including those under the General Resolution.

DESCRIPTION OF INSURANCE

The following description of the Authority's Program relating to certain mortgage insurance requirements is only a brief outline and does not purport to summarize or describe all of the provisions thereof. For a more complete description of the terms of these programs, reference is made to the provisions of the respective insurance contracts. Such insurance is subject to underwriting and approval of the individual Mortgage Loans by the respective insurers.

Private Mortgage Insurance

The Series Resolution requires that each Series A Mortgage Loan, and each Mortgage Loan refinanced by the proceeds of the Series B Bonds (each a "Transferred 1995 Mortgage Loan"), that has a principal amount in excess of 80% of the lesser of the purchase price or the Established Value of the mortgaged Single Family Residence must be insured by a qualified private mortgage insurance company pursuant to a mortgage insurance policy in an amount such that the uninsured portion of such Mortgage Loan does not exceed 75% of the lesser of the purchase price or the Established Value of the related Single Family Residence. Such private mortgage insurance is required to remain in force until the unpaid principal balance of such insured Mortgage Loan does not exceed 80% of the greater of (a) the lesser of (i) the purchase price, or (ii) the Established Value of the property securing the Mortgage Loan; or (b) the current appraised value of the property securing the Mortgage Loan; provided, however, that the Authority shall not require any mortgage insurance policy whose cancellation is required by law.

The form of standard private mortgage insurance policies which is expected to be used with respect to the Series A Mortgage Loans and the Transferred 1995 Mortgage Loans presently contains provisions substantially as follows: (i) for the Authority to present a claim, the Authority must have acquired, and tendered to the insurer, good and merchantable title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor; (ii) under such policies, a claim includes unpaid principal, accrued interest to the date of such tender to the insurer by the Authority and certain expenses; (iii) when a claim is presented, the insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale or of paying the insured percentage of the claim and allowing the Authority to retain title to the property; (iv) claims must be filed within 60 days after the insured has acquired good and merchantable title to the property; and (v) a claim must be paid within 60 days after the claim is made by the Authority. No payment for a loss will be made unless the property financed by the defaulted Mortgage Loan is in the same physical condition as when the Mortgage Loan was originally insured, except for reasonable wear and tear and unless premiums on the standard homeowner's insurance policy, real estate taxes and foreclosure protection and preservation expenses have been advanced by the Authority. It is anticipated that the responsibilities of the Authority as prescribed by the private mortgage insurance will be performed by the Servicers of the Mortgage Loans. The General Resolution provides that the private mortgage insurance shall be provided by a company which has a rating on its claims-paying ability which will not adversely affect the then current ratings (if any) assigned to the Bonds by any nationally recognized credit rating agency. In addition, the Authority's Origination Manual currently requires that any private mortgage insurance be provided by a company

which has a rating on its claims-paying ability of "AA" or better by S&P, is approved by Fannie Mae and FHLMC and is not currently on S&P's Credit Watch.

The private mortgage insurance requirements relating to the Prior Bonds are substantially similar to those relating to the Series A Mortgage Loans and the Transferred 1995 Mortgage Loans.

The private mortgage insurance policies for the Mortgage Loans will not insure against a loss sustained by reason of a default arising from or involving certain matters, including (i) fraud or negligence in origination or servicing of the Mortgage Loans, including misrepresentation by the Lender, Borrower or other persons involved in the origination of a Mortgage Loan; (ii) failure to construct a property subject to a Mortgage Loan in accordance with specified plans; and (iii) physical damage to a property.

Standard Homeowners' Insurance Policies

Each Borrower will be required to maintain for the mortgaged property a standard homeowner's insurance policy in an amount which is not less than (i) the amount necessary to avoid application of a coinsurance clause, or (ii) the unpaid principal amount of the Mortgage Loan, whichever is greater. The Borrower will pay the cost of the standard homeowner's insurance policy.

In general, a standard homeowner's insurance policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water-related causes, earth movement (including earthquakes, landslides and mudslides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism. The Authority requires mortgagors to maintain flood insurance policies where such policies are required to be maintained under the Flood Disaster Protection Act of 1973.

Mortgage Pool Insurance

The Series A Mortgage Loans

With respect to the Series A Mortgage Loans, the Authority has obtained or will obtain separate mortgage pool insurance policies (individually, a "Pool Insurance Policy" or together, the "Pool Insurance Policies") from Mortgage Guaranty Insurance Corporation ("MGIC") and United Guaranty Residential Insurance Company ("UGI"), each insuring a separate group of Mortgage Loans. The Pool Insurance Policies will cover loss by reason of certain defaults in payments on any Mortgage Loan included therein, in an aggregate amount equal to 4% of the aggregate principal balance of the Mortgage Loans insured thereunder. The Authority and the Trustee will be named insureds under the Pool Insurance Policies. The Pool Insurance Policies are required to be continued in force until (i) each Mortgage Loan insured thereunder has been paid in full or has given rise to a claim which has been paid, or (ii) so long as such Mortgage Loans are owned by the Authority.

The Pool Insurance Policies are not a blanket policy against loss, since claims thereunder may be made only in respect of particular defaulted Mortgage Loans and only upon the satisfaction of certain conditions described below. The Pool Insurance Policies do not cover losses due to a failure to pay or denial of a claim under a private mortgage insurance policy, irrespective of the reason therefor.

The Pool Insurance Policies will provide that no claim may be validly presented thereunder (i) unless hazard insurance on the property securing the defaulted Mortgage Loan has been kept in force and real estate taxes and foreclosure protection and preservation expenses have been paid, (ii) if there has been physical loss or damage to the mortgaged property, unless it has been restored to its original condition (reasonable wear and tear excepted), or if certain environmental conditions exist on the property, (iii) unless the conditions relating to private mortgage insurance coverage have been satisfied, (iv) if such claim involves or arises from a fraudulent or dishonest act, including misrepresentation, of the Authority or any Lender, Servicer, Borrower or other person, or from the negligence of the Authority or any Servicer or Lender in originating, servicing or otherwise administering Mortgage

Loans, (v) if such claim is with respect to a default on a Mortgage Loan during a period when the related Servicer is not approved by the pool provider, and (vi) if the Authority has not acquired good and merchantable title to the property, free and clear of all liens and encumbrances, except permitted encumbrances, including any right of redemption by the mortgagor, and sold the property with the approval of the pool provider. Assuming the satisfaction of these conditions, the pool provider will have the option either to (1) purchase the property securing the defaulted Mortgage Loan at a price equal to the principal balance thereof plus accrued and unpaid interest to the date of purchase, less the amount of any insurance proceeds received and any advance claim payments made, on condition that the pool provider be provided with merchantable title, or (2) pay the difference between the proceeds received from an approved sale of the property and the principal balance of the defaulted Mortgage Loan plus accrued and unpaid interest to the date of payment of the claim, less, the amount of any insurance proceeds received and any advance claim payments made. In each case, the pool provider will reimburse the Authority for certain expenses incurred by the Authority.

The original amount of coverage under the Pool Insurance Policies for the portfolio will be reduced over the life of the portfolio by the aggregate dollar amount of claims paid, less the aggregate of the net amounts realized by the pool provider upon disposition of all foreclosed properties. The amount of claims paid will include certain expenses incurred by the Authority as well as interest on delinquent Mortgage Loans accrued through payment of the claims. Accordingly, if the aggregate claims paid under a Pool Insurance Policy reaches its original policy limit, coverage under the Pool Insurance Policy will lapse.

Since the Pool Insurance Policies for the Mortgage Loan portfolio require that the property subject to a defaulted Mortgage Loan be restored to its original condition prior to a claim and will not cover certain environmental conditions, such policies will not provide coverage against such hazard and environmental losses. The hazard policies covering the Mortgage Loans typically exclude from coverage loss from physical damage and environmental conditions resulting from a number of causes and, even when the damage or condition is covered, may afford recoveries which are significantly less than full replacement cost of such losses.

The Pool Insurance Policies have been supplemented with an endorsement providing that the pool provider will make monthly advances in amounts equal to payments of principal and interest on Mortgage Loans that are delinquent for two monthly payments or more. Advances will be payable within ten days of written notice by the Authority of such delinquency, provided that the Authority initiates timely foreclosure proceedings in accordance with the Pool Insurance Policies and such proceedings are being diligently pursued and the Authority otherwise complies with the terms of the Pool Insurance Policies. The current policy of the Authority is not to commence foreclosure proceedings until alternative methods of eliminating delinquencies have been explored. Accordingly, advances by the pool provider in respect of delinquencies may not necessarily commence after two months. Claim settlements under the Pool Insurance Policies will be reduced by the sum of the advances and the advances must be repaid immediately after payments have been received (including from the mortgagor, an insurer or through foreclosure on the Mortgage Loan for which advances or collections with respect to a Mortgage Loan were previously made) or in the event a claim is not made under the Pool Insurance Policies. The coverage available under the advance claims payment procedure equals the limit of coverage provided under the Pool Insurance Policy. Advance claims coverage is subject to limitations on coverage described above. Advances for which the pool provider is ultimately reimbursed are not charged against the limit of coverage under the Pool Insurance Policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to reimburse the pool provider for all advances made under the advance claims payment procedure, aggregate coverage under the Pool Insurance Policy will be reduced by the amount of such difference. Consequently, when coverage under a Pool Insurance Policy has been exhausted, whether through payments of advances under the advance claims payment procedure or payments as a result of foreclosure losses with respect to Mortgage Loans, coverage under the advance claims procedure will also be exhausted.

Additional information regarding MGIC, including financial information, may be obtained from Mortgage Guaranty Insurance Corporation, P.O. Box 488, Milwaukee, Wisconsin 53201. Additional information regarding UGI, including financial information, may be obtained from United Guaranty Residential Insurance Company, 230 North Elm Street, Greensboro, North Carolina 27401.

Mortgage Payment Protection Insurance

All qualifying Borrowers are required to be insured by insurance that will protect them in the event of involuntary unemployment. This benefit protects the Borrower for a minimum period of two years and will make their mortgage payment for a maximum period of six months. All Borrowers who qualify for unemployment compensation must obtain this insurance. Lenders may choose the Authority's Mortgage Guardian insurance or may obtain similar insurance through a company of the Borrower's choice.

Prior Bonds and Transferred 1995 Mortgage Loans

The mortgage pool insurance coverage relating to the Prior Bonds is described below. The provisions and requirements of such policies are substantially similar to those relating to the Series A Mortgage Loans.

Bond Issue or Loan Pool	Pool Insurer	Pool Stop Loss	PMI Coverage Required for Mortgage Loans with Initial LTV Greater than 80%	Loan to Value at which Primary Mortgage Insurance May be Cancelled
General Resolution	MGIC	4.0%	Down to 72%	80%
Loans (1)	MGIC	4.0%	Down to 75%	80%
	UGI		Down to 75%	80%
1987A,B,C,D&E (2)	Self-Insured	--	--	--
	MGIC	4.0%	Down to 72%	80%
1995 C,D&E	GEMICO	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 72%	80%
1995 F,G&H	GEMICO	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 72%	80%
1996 C&D	GEMICO	6.0%	Down to 72%	80%
	MGIC	4.0%	Down to 72%	80%
1997 G,H&I	GEMICO	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 72%	80%
1998 D&E	GEMICO	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 72%	80%
2000 A,B&C	MGIC	4.0%	Down to 72%	80%
2000 G&H	UGI	4.0%	Down to 75%	80%
	MGIC	4.0%	Down to 72%	80%
2002 A, B, C & D (3)	UGI	4.0%	Down to 75%	80%
	MGIC	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 75%	80%
	GEMICO	6.0%	Down to 72%	80%
	Self-Insured	--	--	--
2002 I&J	UGI	4.0%	Down to 75%	80%
	MGIC	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 75%	80%
2003 B	UGI	4.0%	Down to 75%	80%
	MGIC	4.0%	Down to 72%	80%
	MGIC	4.0%	Down to 75%	80%
2004 A	UGI	4.0%	Down to 75%	80%
	MGIC	4.0%	Down to 75%	80%
2004 B (4)	MGIC	4.0%	Down to 72%	80%
	GEMICO	6.0%	Down to 72%	80%
	Self-Insured	--	--	--

(1) Mortgages originated in the General Resolution with excess revenues, but are not associated with a bond series.

(2) The mortgage pool insurance coverage on the 1987 Series A, B, C and a portion of the 1987 D & E has expired. As of December 31, 2004, the outstanding uninsured loan balance is \$3.6 million. A reserve fund equal to 4% of the outstanding mortgage loan balance has been established.

- (3) The mortgage pool insurance on a portion of 2002 A,B,C&D loans has expired. As of December 31, 2004, the outstanding uninsured loan balance is \$0.8 million. A reserve fund equal to 4% of the outstanding mortgage loan balance has been established.
- (4) The mortgage pool insurance on a portion of 2004 B loans has expired. As of December 31, 2004, the outstanding uninsured loan balance is \$0.9 million. A reserve fund equal to 4% of the outstanding mortgage loan balance has been established.

Additional information regarding GEMICO, including financial information, may be obtained from General Mortgage Insurance Corporation, 6601 Six Forks Road, Raleigh, North Carolina 27615.

Tax Compliance Mortgage Loans

The Authority may originate some Series A Mortgage Loans at very low interest rates to ensure compliance with federal tax law (the "Tax Compliance Mortgage Loans"). See "HOME OWNERSHIP MORTGAGE LOAN PROGRAM – General." Such Tax Compliance Mortgage Loans may be made in conjunction with another Mortgage Loan (other than a Series A Mortgage Loan) to a single Borrower. In such event, such Tax Compliance Mortgage Loan may be covered by a pool insurance policy other than the mortgage pool insurance policies described herein. The General Resolution requires that Mortgage Loans be covered by either pool insurance or a pool insurance reserve fund sufficient to maintain the then-current ratings on the Bonds issued under the General Resolution.

Prior Bonds Special Hazard Insurance

For each issue of Prior Bonds, issued prior to the 1996 Series E and F Bonds, the Authority has obtained a special hazard insurance policy (each, a "Policy," and together, the "Policies") for Mortgage Loans purchased with the proceeds of such Prior Bonds (the "Prior Mortgage Loans"). Such Policies protect against loss by reason of damage to properties caused by certain hazards not covered by the standard hazard insurance policies (including earthquakes and, to a limited extent, floods). The claims-paying ability of the issuers of the Policies has been rated "AAA" by S & P.

The Policies insure against (i) physical loss or damage to properties subject to defaulted Prior Mortgage Loans caused by certain hazards (including earthquakes, mud flows and, to a limited extent, floods) not insured against under customary standard forms of fire and hazard insurance policies with extended coverage (or a flood insurance policy if the related property is in a federally designated flood area), and (ii) loss on such Prior Mortgage Loans caused by reason of the application of the coinsurance clause typically contained in hazard insurance policies. The Policies do not insure against losses occasioned by normal wear and tear, errors in design, faulty workmanship or materials, war, nuclear reaction, nuclear or chemical contamination, civil insurrection or certain governmental actions, flood loss which could have been covered under the National Flood Insurance Program (if the Single Family Residence is located in a federally designated flood area), any dishonest act on the part of any insured party or its agent and certain other risks described in the Policies.

The maximum amount payable under each of the Policies is the greater of (i) 1% of the aggregate unpaid principal balance amount of all Prior Mortgage Loans covered by the applicable Policy or (ii) two times the principal balance of the largest mortgage loan in the applicable pool. The limit of liability under each Policy will be reduced by the amount of claims paid by the applicable Special Hazard Insurer, less any net proceeds the applicable Special Hazard Insurer receives upon disposal of the property as described above. When aggregate claims equal or exceed the limits of each Policy, no further payments will be made by the Special Hazard Insurer providing such Policy.

Special Hazard Insurance Reserve Fund

Commencing with the issuance of the 1996 Series E and F Bonds, Mortgage Loans, including the Series A Mortgage Loans and the Transferred 1995 Mortgage Loans will not be covered by a special hazard insurance policy. Instead, the Authority has elected to make a contribution to the Special Hazard Insurance Reserve Fund created under the General Resolution. See "EXHIBIT C – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Special Hazard Insurance Reserve Fund." Upon the issuance of the Series A and B Bonds, no Special Hazard Insurance Reserve Fund will be required. Upon the issuance of future series of Bonds issued under

the General Resolution, the Authority will fund the Special Hazard Insurance Reserve Fund in such amounts, if any, as are required to not adversely affect the then-current ratings on the Bonds.

AGREEMENT OF THE STATE

In accordance with the provisions of the Statute the Authority has consulted and coordinated issuance of the Series A and B Bonds with the State Building Commission. In accordance with the authority granted to the Authority pursuant to the provisions of Section 234.19 of the Statute, the Authority, on behalf of the State of Wisconsin, has pledged to and agreed with the owners of the Series A and B Bonds that the State of Wisconsin will not limit or alter the rights vested by the Statute in the Authority to fulfill the terms of any agreements made with the owners of the Bonds or in any way impair the rights and remedies of such owners until the Series A and B Bonds, together with the interest thereon, with interest 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.

LEGAL MATTERS

Subject to any applicable federal requirements or limitations, in Wisconsin the Series A and B Bonds are securities in which all public officers, municipal corporations, political subdivisions and public bodies of Wisconsin, banks, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies and associations and other persons carrying on a banking or insurance business and all executors, administrators, guardians, trustees and other fiduciaries may invest funds in their control or belonging to them. The Series A and B Bonds are also authorized security for public deposits in the State of Wisconsin.

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

The Authority is a plaintiff or defendant in certain legal actions arising in the ordinary course of the Authority's business. In the opinion of the management of the Authority, the ultimate disposition of these legal actions will not have a material adverse effect on the Authority's financial condition.

Certain legal matters, including all legal matters incident to the authorization, execution, issuance and delivery of the Series A and B Bonds, are subject to the approval of Foley & Lardner LLP and Gonzalez, Saggio & Harlan, L.L.P. Bond Counsel. Their approving opinion, substantially in the form proposed to be rendered, is set forth in EXHIBIT D. Certain legal matters will be passed upon for the Underwriters by their counsel, Axley Brynson, LLP and Tyson Strong Hill, LLC and for the Liquidity Provider by its counsel, Nixon Peabody LLP. Certain legal matters will be passed upon by the Authority's General Counsel, Nelson D. Flynn, Esq.

TAX MATTERS

In the opinion of Foley & Lardner LLP and Gonzalez, Saggio & Harlan, L.L.P., Bond Counsel with respect to the Series A and B Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in EXHIBIT D hereto. Interest on the Series B Bonds is included in gross income for federal tax purposes under Section 103 of the Code.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. These restrictions, conditions and requirements include, but are not limited to, certain "mortgage eligibility" requirements with respect to the Mortgage Loans. The Authority has made certain representations and covenanted to comply with certain restrictions designed

to ensure that interest on the Series A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A Bonds may adversely affect the value of, or the tax status of interest on, the Series A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Series A Bonds.

Certain requirements and procedures contained or referred to in the Series Resolution, the Tax Certificate, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP and Gonzalez, Saggio & Harlan, L.L.P.

Although Bond Counsel is of the opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

No assurance can be given that future legislation or clarification of the Code, if enacted into law, will not cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. No assurance can be given that the introduction or enactment of any such future legislation or clarification of the Code will not affect the market price for or marketability of the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion. Further, no assurance can be given that any action of the Internal Revenue Service, including but not limited to selection of the Series A Bonds for examination, or the course or result of any Internal Revenue Service examination of the Series A Bonds, or bonds which present similar tax issues, will not affect the market price for or marketability of the Series A Bonds.

The opinion of Bond Counsel is based on current legal authority and represents Bond Counsel's judgment as to the proper treatment of the Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Under current procedures, parties other than the Authority, including the Beneficial Owners, will have little if any right to participate in the Internal Revenue Service examination process. Moreover, because achieving judicial review in connection with an examination of tax-exempt bonds may be difficult, obtaining an independent review of Internal Revenue Service positions with which the Authority legitimately disagrees may not be practical. If such a situation arises, the Authority or the Beneficial Owners may incur significant expense, loss of market value to the Beneficial Owners, or both.

Interest on the Series A and B Bonds is not exempt from State of Wisconsin income taxes. Ownership of the Series A and B Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel will express no opinion regarding any such collateral consequences arising with respect to the Series A and B Bonds. Prospective purchasers of the Series A and B Bonds should consult their tax advisers regarding the applicability of any such state and local taxes.

UNDERWRITING

The Series A Bonds are being purchased by the Underwriters, for which Merrill Lynch & Co. is acting as senior manager. The Underwriters will purchase such Series A Bonds, other than the Series A Variable Rate Demand Bonds at an aggregate price of \$28,875,000. The Underwriters will be paid a fee in connection with such Series A Bonds of \$213,721, which will include reimbursement of certain expenses. The Series A Variable Rate Demand Bonds are being purchased by Merrill Lynch & Co. at an aggregate purchase price of \$91,125,000. Merrill Lynch & Co. will be paid a fee in connection with the Series A Variable Rate Demand Bonds of \$203,753, which will include

reimbursement of certain expenses. The Series B Bonds are being purchased by Merrill Lynch & Co. at an aggregate purchase price of \$11,200,000. Merrill Lynch & Co. will be paid a fee in connection with the Series B Bonds of \$25,057, which will include reimbursement of certain expenses. The initial public offering prices may be changed, from time to time, by the Underwriters.

The Authority has been advised that one or more of the Underwriters expect to make a market in the Series A and B Bonds. However, the Underwriters are not obligated to make such markets and may discontinue making such markets at any time without notice. Neither the Authority nor the Underwriters can give any assurance that secondary markets therefor will develop.

RATINGS

The Bonds issued under the General Resolution have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by S&P. In addition, the Variable Rate Demand Bonds have been rated "VMIG1" by Moody's and "A1+" by S&P, with the understanding that upon delivery of such bonds the Initial Liquidity Facility will be delivered by the Liquidity Provider.

Ratings assigned to the Bonds reflect only the views of the respective rating agency and any explanation of the significance of the ratings may only be obtained from the rating agencies furnishing them. There is no assurance that the ratings given to such Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if in their judgment circumstances so warrant. Any downgrade or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS OF THE AUTHORITY

The consolidated balance sheet of the Authority at June 30, 2004, and the related consolidated statements of income and expenses and changes in fund balance and cash flows for the year then ended, included in EXHIBIT A, have been audited by the Reznick Group, P.C., independent auditors, as stated in their report appearing herein.

The unaudited consolidated balance sheet of the Authority at December 31, 2004, and the related consolidated statements of income and expenses and changes in fund balance and cash flows for the six-month period ended December 31, 2004, included in EXHIBIT A, reflect, in the opinion of the Authority, all adjustments necessary for a fair statement of the financial position and results of operations of the Authority's programs for the period shown. Such unaudited consolidated financial statements have not been audited, reviewed or compiled by the Reznick Group, P.C. and they assume no responsibility for them.

CONTINUING DISCLOSURE

The Authority will provide, or cause to be provided:

(i) To each nationally recognized municipal securities information repository ("NRMSIR") and state information depository ("SID"), if any, certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles, generally consistent with the information contained under the headings "PRIOR SINGLE FAMILY BOND ISSUES," "DESCRIPTION OF INSURANCE - Mortgage Pool Insurance," "EXHIBIT A - FINANCIAL STATEMENTS OF THE AUTHORITY" and "EXHIBIT B - OUTSTANDING BONDS AND NOTES OF THE AUTHORITY." Such information is expected to be available on or before November 1 of each year for the fiscal year ending on the preceding June 30 (commencing for the Authority's fiscal year ending June 30, 2005) and will be made available, in addition to the NRMSIRs and the SID, to the Trustee.

(ii) In a timely manner to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and to the SID and Trustee, notice of the occurrence of any of the following events with respect to the Series A Bonds, if such event is material:

- (a) principal and interest payment delinquencies;
- (b) nonpayment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Series A Bonds;
- (g) modifications to the rights of Bondowners of the Series A and B Bonds;
- (h) bond calls;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Series A and B Bonds;
and
- (k) rating changes.

(iii) In a timely manner to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Authority has knowledge) by any person obligated to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The Authority reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Authority; provided that the Authority agrees that any such modification will be done in a manner consistent with the Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission. The Authority acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Bondowners of the Series A Bonds and shall be enforceable by the Trustee on behalf of the Bondowners; provided that the Trustee's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Authority's obligations thereunder and any failure by the Authority to comply with the provisions of this undertaking shall not be an event of default with respect to the Series A and B Bonds or under the General Resolution. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series A Bonds and their market price.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Statute, the General Resolution and the Series Resolution contained herein do not purport to be complete, and reference is made to said law and resolutions for full and complete statements of their provisions. The Exhibits attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Statute, the General Resolution and the Series Resolution may be obtained during the offering period upon request directed to the Authority, P.O. Box 1728, Madison, Wisconsin 53701-1728.

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

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

By: /s/ Antonio R. Riley
Executive Director