

IN THE OPINION OF SHERMAN & HOWARD L.L.C., BOND COUNSEL, INTEREST ON THE TAXABLE 1998 SERIES B-1 BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, (i) interest on the 1998 Series B-2 Bonds, except for interest on any 1998 Series B-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 1998 Series B-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 1998 Series B Bonds (the "Tax Code"), is not included in gross income for federal income tax purposes under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 1998 Series B-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws; and (ii) interest on the 1998 Series B Bonds is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the 1998 Series B Bonds. See "TAX MATTERS" herein.

**\$7,300,000**

COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family Housing Insured Mortgage Revenue Bonds

\$2,995,000

Taxable 1998 Series B-1

\$4,305,0001998 Series B-2
(AMT)

Dated: August 1, 1998

Due: As shown on inside front cover

The Colorado Housing and Finance Authority Multi-Family Housing Insured Mortgage Revenue Bonds, 1998 Series B, are being issued in the two series shown above as fully registered Bonds without coupons in the denomination of \$5,000, and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC initially will act as securities depository for the 1998 Series B Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers of the 1998 Series B Bonds will not receive physical delivery of bond certificates, all as more fully described herein.

Interest on the 1998 Series B Bonds is payable on April 1, 1999 and thereafter semiannually on April 1 and October 1 of each year. Interest on and principal of the 1998 Series B Bonds are payable by Norwest Bank Colorado, National Association, or any successor thereto, as Trustee, to DTC. DTC is required to remit such principal and interest payments to its Participants, for subsequent disbursement to the Beneficial Owners of the 1998 Series B Bonds, as more fully described herein.

The 1998 Series B Bonds are being issued by the Colorado Housing and Finance Authority under its supplemented Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution and the 1998 Series B Resolution described herein. Proceeds of the 1998 Series B Bonds will be used to make two mortgage loans, one of which is being insured by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the other of which is being insured by the FHA under Section 221(d)(4) of the National Housing Act of 1934, as amended. Such mortgage loans are being made to Sponsors to assist them in financing the substantial rehabilitation and/or acquisition of multi-family housing projects in Colorado. Proceeds of the 1998 Series B Bonds, together with amounts advanced by the Authority on behalf of the Sponsors, will also be used to make deposits to certain funds and accounts in accordance with the 1998 Series B Resolution. In connection with the issuance of the 1998 Series B Bonds, the Authority and each of the Sponsors will undertake to provide certain continuing disclosure concerning the Authority, the 1998 Series B Bonds and the 1998B Projects, as described in "INTRODUCTION — Availability of Continuing Information."

MATURITY SCHEDULES ON INSIDE FRONT COVER

The 1998 Series B Bonds are subject to redemption prior to maturity, including optional redemption and special redemption and cumulative sinking fund redemption at par under certain circumstances, at the times and to the extent described herein.

The 1998 Series B Bonds are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Authority's Resolutions as described herein. The 1998 Series B Bonds will be so secured by the pledge under the General Resolution on an equal and ratable basis with all other Bonds (which are currently outstanding in an aggregate principal amount of \$431,985,000) now or hereafter outstanding under the General Resolution. In no event shall the 1998 Series B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof (other than the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State or any political subdivision thereof.

This cover page contains only a brief description of the Authority, the 1998 Series B Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 1998 Series B Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision. Potential investors should pay particular attention to the discussion in "CERTAIN CONSIDERATIONS FOR BONDHOLDERS."

The 1998 Series B Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to approval of legality of the 1998 Series B Bonds by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed on for the Authority by James A. Roberts, Esq., its Director of Legal Operations and legal counsel, and for the Underwriters by their counsel, Hogan & Hartson L.L.P., Denver, Colorado. It is expected that a single certificate for each maturity of each series of the 1998 Series B Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about August 18, 1998.

Newman & Associates, Inc.

Hanifen, Imhoff Inc.

Piper Jaffray Inc.

MATURITY SCHEDULES*

\$2,995,000 Taxable 1998 Series B-1 Bonds

\$2,995,000 of 7.00% Taxable 1998 Series B-1 Bonds Due October 1, 2033 - Price: 100%
(Plus accrued interest)

\$4,305,000 1998 Series B-2 Bonds (AMT)

\$1,215,000 of 5.45% 1998 Series B-2 Bonds Due October 1, 2028 - Price: 100%
(Plus accrued interest)

\$3,090,000 of 5.55% 1998 Series B-2 Bonds Due October 1, 2040 - Price: 100%
(Plus accrued interest)

* Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1998 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Colorado Housing and Finance Authority and other sources which are believed to be reliable, and it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or their counsel or Bond Counsel. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder may, under any circumstances, create any implication that there has been no change in the affairs of said Authority since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1998 SERIES B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 1998 SERIES B BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$7,300,000

COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family Housing Insured Mortgage Revenue Bonds

\$2,995,000

Taxable 1998 Series B-1

\$4,305,000

**1998 Series B-2
(AMT)**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "Authority") and otherwise in connection with the offer and sale of the Authority's Multi-Family Housing Insured Mortgage Revenue Bonds, 1998 Series B (the "1998 Series B Bonds") in two series: the Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 (the "Taxable 1998 Series B-1 Bonds") and the Multi-Family Housing Insured Mortgage Revenue Bonds, 1998 Series B-2 (the "1998 Series B-2 Bonds"). Capitalized terms used herein and not defined have the meanings specified in the Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution adopted by the Authority on March 16, 1977, as amended (the "General Resolution"), and the 1998 Series B Resolution adopted by the Authority on July 23, 1998 (the "1998 Series B Resolution"). Collectively, the General Resolution and the 1998 Series B Resolution are referred to herein as the "Resolutions." See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" and Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, the information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 1998 Series B Bonds to potential investors is made only by means of the entire Official Statement.

Colorado Housing and Finance Authority

The Authority is a body corporate and political subdivision of the State of Colorado (the "State") established by the Colorado General Assembly for the purpose of increasing the supply of decent, safe and sanitary housing for low and moderate income families. See "COLORADO HOUSING AND FINANCE AUTHORITY - Background." In order to achieve its authorized purposes, the Authority currently operates numerous housing and commercial loan programs, including the Multi-Family Housing Insured Mortgage Loan Program relating to the 1998 Series B Bonds. See "COLORADO HOUSING AND FINANCE AUTHORITY - Programs to Date" and "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM." The Authority is governed by a Board of

Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes, provided that the Authority may not have outstanding, at any one time, bonds in an aggregate principal amount exceeding two billion four hundred million dollars (with certain exceptions). *For financial information concerning the Authority, see certain financial statements of the Authority attached hereto as Appendix A.*

Authority for Issuance

The 1998 Series B Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act"). The 1998 Series B Bonds are being issued and will be secured under the General Resolution and the 1998 Series B Resolution as described in "Security and Sources of Payment for the 1998 Series B Bonds" under this caption.

Purposes of the 1998 Series B Bonds

Proceeds of the 1998 Series B Bonds are being used by the Authority to make certain mortgage loans (the "1998B Mortgage Loans") to the particular private developers as described in Appendix C hereto (collectively, the "Sponsors"). In addition, proceeds of the 1998 Series B Bonds, together with amounts advanced by the Authority and reimbursed by the Sponsors, will be used to make required deposits to certain funds and accounts, as described in "PLAN OF FINANCING - Sources and Uses of Funds." Each of the Sponsors is expected to use the amounts so loaned to it as a 1998B Mortgage Loan to finance, in part, the substantial rehabilitation and/or acquisition of a multi-family housing project located in Colorado. See "The 1998B Projects" under this caption. Certain unspent proceeds of the Authority's outstanding 1997 Series B Bonds will also be used to finance a portion of one of the 1998B Projects.

Description of the 1998 Series B Bonds

Payments

Interest on the 1998 Series B Bonds is payable on April 1, 1999 and thereafter semiannually on April 1 and October 1 of each year. Principal of the 1998 Series B Bonds is payable on October 1 in the years and in the amounts as shown on the inside front cover hereof. See "DESCRIPTION OF THE 1998 SERIES B BONDS - General Terms."

Denominations

The 1998 Series B Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

Redemption of 1998 Series B Bonds

Special Redemption. The 1998 Series B Bonds are subject to redemption prior to their maturity, in whole or in part, at a Redemption Price equal to 100% of the principal amount

of the 1998 Series B Bonds or portions thereof to be so redeemed, together with accrued interest, if any, thereon to the redemption date:

(i) in the event the Authority determines that it is not feasible for it to, or it is unable (consistent with the covenants it has made in the 1998 Series B Resolution) to, finance all or any portion of the costs of one or more of the projects expected to be funded in accordance with the 1998 Series B Resolution as described in Appendix C hereto (the "1998B Projects"), at any time from unexpended proceeds of the 1998 Series B Bonds or exchanged amounts therefor transferred within three years of the date of issuance of the 1998 Series B Bonds at the option and direction of the Authority in accordance with the Resolutions from the Program Fund to the Redemption Fund together with any amount withdrawn from the Debt Service Reserve Fund as a consequence of such redemption;

(ii) from unexpended proceeds of the 1998 Series B Bonds in the Program Fund, as soon as practicable after a date which is three years following the date of issuance of the 1998 Series B Bonds together with any amount withdrawn from the Debt Service Reserve Fund as a consequence of such redemption;

(iii) at any time from Prepayments to the extent received by the Authority as described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds - Redemption from Certain Prepayments Deposited to Redemption Fund" and deposited in or transferred to the Redemption Fund together with any amount withdrawn from the Negative Arbitrage Accounts pursuant to the 1998 Series B Resolution and any amount withdrawn from the Debt Service Reserve Fund as a consequence of such redemption; and

(iv) on any date on and after October 1, 2008, from amounts transferred at the direction of the Authority to the Redemption Fund on account of a reduction in the Debt Service Reserve Fund Requirement attributable to payment at maturity, the purchase and cancellation or cumulative sinking fund redemption payments of the 1998 Series B Bonds pursuant to the 1998 Series B Resolution, all as more specifically described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds."

For specific information about the risks of early redemption, see "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Early Redemption."

Optional Redemption. The 1998 Series B Bonds are also subject to redemption prior to their maturity at the option of the Authority, in whole or in part, at any time on and after the respective dates and at the respective Redemption Prices as set forth in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds - Optional Redemption" and upon notice as described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption Procedures."

Cumulative Sinking Fund Redemption. The 1998 Series B Bonds are also subject to cumulative sinking fund redemption as described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds - Cumulative Sinking Fund Installments."

Book Entry Form

The 1998 Series B Bonds are issuable only as fully registered Bonds without coupons in the denomination of \$5,000, and any integral multiples thereof. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 1998 Series B Bonds through its nominee, Cede & Co., to which principal and interest payments on the 1998 Series B Bonds are to be made. One or more fully registered bonds in denominations in the aggregate equal to the principal amount per maturity of the 1998 Series B Bonds will be registered in the name of Cede & Co. *Individual purchases will be made in book entry form only, and purchasers of the 1998 Series B Bonds will not receive physical delivery of bond certificates, all as more fully described herein.* Upon receipt of payments of principal, premium, if any, and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 1998 Series B Bonds. For a more complete description of the book-entry-only system, see "DESCRIPTION OF THE 1998 SERIES B BONDS - Book-Entry-Only System."

Security and Sources of Payment for the 1998 Series B Bonds

The 1998 Series B Bonds will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the General Resolution, including the Revenues and Mortgage Loans, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Pledge Under the General Resolution" and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION." The 1998 Series B Bonds, together with all other series of bonds now or hereafter issued pursuant to the General Resolution, are referred to as the "Bonds." *The 1998 Series B Bonds will be so secured by the pledge under the General Resolution on an equal and ratable basis with all other Bonds issued pursuant to the General Resolution.* For a description of the Bonds issued under the General Resolution other than the 1998 Series B Bonds, which will be outstanding at the time of issuance of the 1998 Series B Bonds (not taking the 1998 Series B Bonds into account) in an aggregate principal amount of \$431,985,000, see "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Outstanding Bonds and Additional Bonds." As of March 17, 1998, Mortgage Loans outstanding in an aggregate principal amount of \$315,410,044.78 had been pledged under the General Resolution to secure payment of the Authority's outstanding Bonds, including, upon the issuance thereof, the 1998 Series B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans." **For certain information as of March 17, 1998 concerning the outstanding Projects and Mortgage Loans under the General Resolution, see Appendix F attached hereto.**

The General Resolution requires that all Mortgage Loans funded with proceeds of the Bonds (i) be insured by the United States government or an agency or instrumentality thereof

under a program requiring payment of not less than 99% of the principal amounts of the Mortgage Loans in the event of a default by a mortgagor and (ii) be secured by a first mortgage on the applicable real estate. Each of the 1998B Mortgage Loans for the related 1998B Projects described below in "The 1998B Projects" will be underwritten as a mortgage loan endorsed for insurance by the Federal Housing Administration ("FHA") either under Section 542(c) of the Housing and Community Development Act of 1992, as amended ("Section 542(c)") or Section 221(d)(4) of the National Housing Act of 1934, as amended. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans," "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - Federal Insurance Programs" and " - FHA Insurance Claims in the Event of Default." Both of the 1998B Mortgage Loans will also be secured by a first lien mortgage on the respective 1998B Project. The Authority will act as the servicer of the 1998B Mortgage Loans as described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans - Servicing by the Authority."

The 1998 Series B Bonds are special, limited obligations of the Authority payable, on an equal basis with the other Bonds now or hereafter outstanding, solely from the revenues, assets and moneys pledged under the General Resolution. In no event shall the 1998 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof.

Payment of the 1998 Series B Bonds will also be secured by the Debt Service Reserve Fund established under the General Resolution. The Debt Service Reserve Fund Requirement for the 1998 Series B Bonds will be satisfied at Closing with amounts currently on deposit in the Debt Service Reserve Fund which may at any time in the future be substituted by the Authority with a surety bond or other financial instrument as described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Debt Service Reserve Fund."

The 1998B Projects

Certain proceeds of the 1998 Series B Bonds are expected to be loaned to the Sponsors and used by them to defray, in part, the costs of financing the substantial rehabilitation of the two multi-family housing projects described below and on Appendix C hereto (the "1998B Projects"). See "Purposes of the 1998 Series B Bonds" under this caption. *In the event the Authority determines that it is not feasible for it to, or it is unable to, finance all or any portion of the costs of one or both of the 1998B Projects (see "THE 1998B PROJECTS"), the Authority may, at its option, any time within three years of the date of issuance of the 1998 Series B Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 1998 Series B Bonds at par. Furthermore, to the extent such amounts are not loaned by the Authority for the 1998B Projects or other permissible projects during the three year period following issuance of the 1998 Series B Bonds in accordance with the Resolutions, amounts remaining in the Program Fund at the end of such period are required to be used to*

redeem 1998 Series B Bonds. See "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds."

The two 1998B Projects are expected to be substantial rehabilitation of (i) the Los Caballeros Apartments, located in Thornton, Colorado; and (ii) the Holly Park West Apartments, located in Commerce City, Colorado. For additional information concerning the 1998B Projects and the Sponsors thereof, see "THE 1998B PROJECTS" and Appendix C hereto. Each of the 1998B Projects is expected to generate sufficient revenues to repay the respective 1998B Mortgage Loan, based on certain assumptions as to future occupancy and other matters. Each Sponsor will own the respective 1998B Project as its sole asset and repayment of amounts due on all of the respective 1998B Mortgage Loans will be made by each Sponsor solely from revenues generated by such 1998B Project. See "THE 1998B PROJECTS - Certain Assumptions Relating to the 1998B Projects" and Appendix C hereto. Each 1998B Project is subject to specific continuing use restrictions relating to rental of units and tenant income levels, as described in "THE 1998B PROJECTS - The Regulatory Agreements" and "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Taxability of 1998 Series B-2 Bonds."

Tax Considerations

IN THE OPINION OF SHERMAN & HOWARD L.L.C., BOND COUNSEL, INTEREST ON THE TAXABLE 1998 SERIES B-1 BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, (i) interest on the 1998 Series B-2 Bonds, except for interest on any 1998 Series B-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 1998 Series B-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 1998 Series B Bonds (the "Tax Code"), is not included in gross income for federal income tax purposes under federal laws pursuant to Section 103 of the Tax Code; however, interest on the 1998 Series B-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code; and (ii) interest on the 1998 Series B Bonds is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the 1998 Series B Bonds.

The proposed form of the approving opinion of Bond Counsel is attached as Appendix D hereto. For a more complete discussion of such opinion and certain other matters related thereto, see "TAX MATTERS" herein.

Professionals Involved in the Offering

In connection with the issuance and sale of the 1998 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion discussed under "TAX MATTERS," a form of which is included as Appendix D hereto. Certain legal matters will be passed upon for

the Authority by its Director of Legal Operations and legal counsel, James A. Roberts, Esq. Certain legal matters relating to the 1998 Series B Bonds will be passed upon for the Underwriters by their counsel, Hogan & Hartson L.L.P. See "CERTAIN LEGAL MATTERS." The Authority's financial statements included as Appendix A hereto have been audited by Ernst & Young LLP, independent auditors, Denver, Colorado. Norwest Bank Colorado, National Association, or any successor thereto, will act as trustee for the 1998 Series B Bonds (the "Trustee") under the General Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Successors to Trustee."

Offering and Delivery of the 1998 Series B Bonds

The 1998 Series B Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to approval of legality of the 1998 Series B Bonds by Bond Counsel and the satisfaction of certain other conditions. See "UNDERWRITING." It is expected that a single certificate for each maturity of each series of the 1998 Series B Bonds will be available for delivery to DTC in New York, New York, on or about August 18, 1998.

Availability of Continuing Information

In connection with issuance of the 1998 Series B Bonds, the Authority will deliver a Continuing Disclosure Undertaking in which it will agree, for the benefit of the Bondowners, to file annually with each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934 (the "Rule") such ongoing information concerning the Authority and the Trust Estate and to provide notice of certain enumerated events as described in "CONTINUING DISCLOSURE UNDERTAKINGS" and Appendix G hereto. Each of the Sponsors will also deliver, on or before origination of the related 1998B Mortgage Loan, a Continuing Disclosure Undertaking in which it will agree for the benefit of Bondowners that, so long as the 1998 Series B Bonds remain outstanding, it will annually provide to the Authority such ongoing information and audited financial statements with respect to the respective 1998B Project, and the Authority will agree to forward the information received from each Sponsor to each such nationally recognized municipal securities information repository, as described in "CONTINUING DISCLOSURE UNDERTAKINGS" and Appendix G hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Resolutions) may be obtained during the offering period, upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director. See "FURTHER INFORMATION."

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 1998 Series B Bonds.

DESCRIPTION OF THE 1998 SERIES B BONDS

General Terms

The 1998 Series B Bonds will be issued in the aggregate amount of \$7,300,000, will be dated August 1, 1998, and will bear interest at the fixed interest rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the 1998 Series B Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 1999, until maturity or earlier redemption. Interest on the 1998 Series B Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the 1998 Series B Bonds. The ownership of one fully registered 1998 Series B Bond for each maturity as set forth on the cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its Participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Ownership interests in the 1998 Series B Bonds, in the denominations of \$5,000 or any integral multiple thereof, may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the 1998 Series B Bonds as nominees will not receive certificate 1998 Series B Bonds, but each such Participant is to receive a credit balance in the records of DTC in the amount of such Participant's interest in the 1998 Series B Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for which a Participant has an interest in the 1998 Series B Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Authority or the Trustee to DTC, which may affect such persons, to

be forwarded in writing by such Participant and to have notification made of all interest payments.

With respect to 1998 Series B Bonds registered in the registration books kept by the Trustee, in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 1998 Series B Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the 1998 Series B Bonds, (ii) the delivery to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee as 1998 Series B Bond registrar, of any notice with respect to the 1998 Series B Bonds, including any notice of redemption, (iii) the payment to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of or interest on the 1998 Series B Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of partial redemption of 1998 Series B Bonds, or (v) any consent given or other action taken by DTC. The Authority and the Trustee may treat and consider the person in whose name each 1998 Series B Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such 1998 Series B Bond for the purpose of payment of principal, premium and interest with respect to such 1998 Series B Bond, for the purpose of giving notices of redemption and other matters with respect to such 1998 Series B Bond, for the purpose of registering transfers with respect to such 1998 Series B Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall hereinafter be defined to include the person for whom the Participant acquires an interest in the 1998 Series B Bonds.

If any Beneficial Owner of 1998 Series B Bonds wishes to receive a copy of any notices or other communications to the registered owner of 1998 Series B Bonds held by DTC, such Beneficial Owner may file a request with the Trustee asking that the Beneficial Owner be put on a list to receive copies of all notices and other communications sent to the registered owner of the 1998 Series B Bonds for the ensuing 12-month period. The Authority will use its best efforts to cause copies of such notices and other communications to be forwarded to any Beneficial Owner who has made such request within the 12-month period preceding the date of mailing of the notice or other communication. However, failure to give any such notice or other communication to any Beneficial Owner, any defect in any such notice or other communication, or the failure of any Beneficial Owner who has requested such notices and other communications to receive any such notice or other communication is in no way to affect the matter to which the notice or other communication pertains. Full legal notice shall have been given if mailed to the registered owner of the 1998 Series B Bonds; copies of notices or other communications provided to Beneficial Owners will be provided as a courtesy only.

DTC is to receive payments from the Trustee, acting as paying agent and 1998 Series B Bond registrar, to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the 1998 Series B Bonds is to be recorded on the records of the Participants, whose ownership interest is to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Trustee to DTC or its nominee only.

Beneficial Owners are to receive from the Participants a written confirmation of their purchase detailing the terms of the 1998 Series B Bonds acquired. Transfers of ownership interests in the 1998 Series B Bonds are to be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1998 Series B Bonds, except as specifically provided in the Resolutions.

For every transfer and exchange of the 1998 Series B Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and costs incurred in preparing 1998 Series B Bond certificates.

Neither the Authority nor the Trustee will be required to transfer or exchange 1998 Series B Bonds from the Record Date (as defined below) applicable to the 1998 Series B Bonds through and including the next succeeding interest payment date for the 1998 Series B Bonds or from the Record Date next preceding any selection of 1998 Series B Bonds to be redeemed until after the first mailing of any notice of such redemption; or to transfer or exchange any 1998 Series B Bonds called or being called for redemption in whole or in part. For purposes hereof, Record Date will mean in the case of each interest payment date, the Trustee's close of business on the fifteenth day immediately preceding such interest payment date, and in the case of each redemption, such Record Date shall be specified by the Trustee in the notice of redemption, provided that such Record Date shall be fifteen calendar days before the mailing of such notice of redemption.

DTC's services with respect to the 1998 Series B Bonds may be discontinued or terminated at any time under the following circumstances:

(a) DTC may determine to discontinue providing its services with respect to the 1998 Series B Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law.

(b) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 1998 Series B Bonds if the Authority determines that DTC is unable to discharge its responsibilities with respect to the 1998 Series B Bonds or that a continuation of the requirement that all of the Outstanding 1998 Series B Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interests of the Beneficial Owners of the 1998 Series B Bonds.

In the event that DTC's services are so discontinued or terminated because it is unwilling or is determined to be unable to discharge its responsibilities, and no substitute

securities depository willing to undertake the functions of DTC under the Resolutions can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, or in the event it is so determined that continuation of the system of book-entry transfers is not in the best interests of the Beneficial Owners, the Authority is obligated to deliver 1998 Series B Bond certificates, at the expense of the Beneficial Owners, as described in the Resolutions.

The foregoing information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriters or their counsel or Bond Counsel as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Redemption of the 1998 Series B Bonds

Optional Redemption

The 1998 Series B Bonds are subject to redemption prior to their maturity at the option of the Authority at any time on and after October 1, 2008, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, in whole or in part, at the following respective Redemption Prices (expressed as percentages of the principal amount of such 1998 Series B Bonds or portions thereof to be so redeemed) set forth below, in each case together with accrued interest, if any, to the date of redemption:

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

Redemption from Bond Proceeds at Option of Authority

In the event the Authority determines that it is not feasible for it to, or it is unable (consistent with the covenants it has made in the 1998 Series B Resolution) to, finance all or any portion of the costs of one or more of the 1998B Projects, the Authority may, at its option, any time within three years of the date of issuance of the 1998 Series B Bonds, direct the Trustee to transfer in accordance with the Resolutions the moneys in the Program Fund for such Project or Projects to the Redemption Fund, together with the amount, if any, withdrawn from the Debt Service Reserve Fund pursuant to the Resolutions as a consequence of such redemption. See "THE 1998B PROJECTS." Any such amount transferred to the Redemption Fund, together with other amounts on deposit therein, must equal or exceed \$10,000 and such amount to be applied to such redemption will be rounded to the next lower \$5,000. The Trustee is to apply any such amounts transferred to the Redemption Fund as described above to the redemption of 1998 Series B Bonds, at a Redemption Price equal to 100% of the principal amount of the 1998 Series B

Bonds or portions thereof to be so redeemed, not later than 30 days after deposit in the Redemption Fund.

Mandatory Redemption From Unexpended Amounts and Certain Mortgage Repayments

All 1998 Series B Bonds are also subject to mandatory redemption prior to their maturity, in whole or in part at any time as soon as practicable after the date that is three years after the date of issuance of the 1998 Series B Bonds, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, at a Redemption Price equal to 100% of the principal amount of the 1998 Series B Bonds or portions thereof to be so redeemed, together with accrued interest thereon to the date of redemption, in an aggregate Redemption Price equal to the amount of moneys deposited in the Program Fund pursuant to the 1998 Series B Resolution which have not been used or allocated for use to Acquire Mortgage Loans in accordance with the Resolutions which moneys are required by the Resolutions to be transferred to the Redemption Fund on the date which is three years following the date of issuance of the 1998 Series B Bonds, together with the amount, if any, withdrawn from the Debt Service Reserve Fund pursuant to the Resolutions as a consequence of such redemption. Any such amounts transferred to the Redemption Fund, together with other amounts on deposit therein, must equal or exceed \$10,000 and such amount to be applied to such redemption will be rounded to the next lower \$5,000. The Trustee is to apply any such amount described above, and the moneys transferred from the Debt Service Reserve Fund to the redemption of 1998 Series B Bonds not later than 30 days after deposit in the Redemption Fund.

Redemption from Certain Prepayments Deposited to Redemption Fund

All 1998 Series B Bonds are subject to redemption prior to their maturity at any time, in whole or in part, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, at a Redemption Price equal to 100% of the principal amount of the 1998 Series B Bonds or portions thereof to be so redeemed, together with accrued interest, if any, thereon to the date of redemption, at an aggregate Redemption Price equal to the amount received or recovered by the Authority (net of the Authority's expenses incurred in effecting such recovery) and deposited in the Redemption Fund on account of the Prepayment of a Mortgage Loan, together with the amount, if any, withdrawn from the related Negative Arbitrage Account pursuant to the 1998 Series B Resolution and the amount, if any, withdrawn from the Debt Service Reserve Fund pursuant to the General Resolution as a consequence of such redemption.

Prepayments are defined by the General Resolution to be any moneys received or recovered by the Authority from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the respective Sponsor (referred to as "voluntary Prepayment") or (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (iii)

by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceeding taken by the Authority in the event of a default thereon by the respective Sponsor.

The General Resolution requires that all Prepayments be either deposited in the Program Fund or, in the case of a Prepayment due to damage, destruction or condemnation of a Project, used by the Authority at its option to repair or restore such Project. Prepayments deposited to the Program Fund are to be used either to Acquire Mortgage Loans under certain circumstances or transferred to the Redemption Fund upon direction by the Authority.

The Authority has further covenanted in the 1998 Series B Resolution that, subject to the powers of any Government authority with respect thereto (including the FHA), the terms of any 1998B Mortgage Loan will not permit the voluntary Prepayment thereof before October 1, 2008, except upon the written consent of the Authority, which will not be granted unless the amounts received from such voluntary Prepayment are to be used to Acquire one or more additional Mortgage Loans or are used to redeem 1998 Series B Bonds in accordance with the optional redemption provisions of the 1998 Series B Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans - Certain Terms of the 1998B Mortgage Loans." Furthermore, the 1998 Series B Resolution provides that any voluntary Prepayments of such 1998B Mortgage Loans (other than amounts received pursuant to the exercise of the powers of any Government authority with respect thereto) are to be used to redeem 1998 Series B Bonds only in accordance with the optional redemption provisions described in "Optional Redemption" under this caption.

The amount of any such Prepayment deposited in or transferred to the Redemption Fund for redemption of the 1998 Series B Bonds, together with other amounts on deposit therein, must equal or exceed \$10,000 and such amount to be applied to such redemption will be rounded to the next lower \$5,000. The Trustee is to apply any such amount described above and moneys transferred from the Debt Service Reserve Fund to the redemption of 1998 Series B Bonds not later than 30 days after deposit in the Redemption Fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Redemption Fund" and "- Prepayments."

The 1998 Series B Bonds are not subject to mandatory redemption in the event of a breach of a CHFA Regulatory Agreement unless the Authority in its discretion chooses to accelerate amounts due on the related Mortgage Loan and HUD approves such acceleration. Such a breach may, for example, result in interest on the 1998 Series B-2 Bonds being included in the gross income of Bondholders for purposes of federal income taxation. In addition to acceleration of the Mortgage Loans, the Authority is authorized to take such other action at law or in equity as the Authority deems appropriate under the circumstances. See "THE 1998B PROJECTS - The Regulatory Agreements" and "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Taxability of 1998 Series B-2 Bonds."

Redemption Based Upon Other Reductions in Debt Service Reserve Fund

All 1998 Series B Bonds are also subject to mandatory redemption prior to their maturity, in whole or in part on any date on and after October 1, 2008, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, at a Redemption Price equal to 100% of the principal amount of the 1998 Series B Bonds or portions thereof to be so redeemed, together with accrued interest, if any, thereon to the date of redemption, in an aggregate Redemption Price equal to the amount, if any, directed by the Authority to be transferred to the Redemption Fund on account of a reduction in the Debt Service Reserve Fund Requirement attributable to payment of the 1998 Series B Bonds at maturity, to the purchase and cancellation of 1998 Series B Bonds or to sinking fund redemption of 1998 Series B Bonds pursuant to the cumulative sinking fund provisions described in "Cumulative Sinking Fund Installments" under this caption. Any such amount deposited in or transferred to the Redemption Fund, together with other amounts on deposit therein, must have equaled or exceeded \$10,000, and such amount to be applied to such redemption is to be rounded to the next lower \$5,000. The Trustee is to apply any such amount described above to the redemption of 1998 Series B Bonds not later than 30 days after deposit in the Redemption Fund.

Cumulative Sinking Fund Installments

The 1998 Series B Bonds are also subject to cumulative sinking fund redemption, prior to their maturity, by payment of Sinking Fund Installments, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, on each of the dates and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 1998 Series B Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date as follows:

Taxable 1998 Series B-1 Bonds

<u>Year (October 1)</u>	<u>Sinking Fund Installment</u>	<u>Year (October 1)</u>	<u>Sinking Fund Installment</u>
2000	\$20,000	2017	\$ 65,000
2001	20,000	2018	75,000
2002	20,000	2019	75,000
2003	20,000	2020	85,000
2004	25,000	2021	95,000
2005	25,000	2022	100,000
2006	30,000	2023	105,000
2007	30,000	2024	115,000
2008	30,000	2025	130,000
2009	35,000	2026	130,000
2010	35,000	2027	140,000
2011	40,000	2028	215,000
2012	40,000	2029	170,000
2013	45,000	2030	200,000
2014	--	2031	220,000
2015	60,000	2032	260,000
2016	65,000	2033 (1)	275,000

(1) Final maturity

1998 Series B-2 Bonds Maturing on October 1, 2028

Year (October 1)	Sinking Fund Installment
2014	\$50,000
2015	55,000
2016	55,000
2017	60,000
2018	65,000
2019	70,000
2020	75,000
2021	80,000
2022	85,000
2023	90,000
2024	95,000
2025	100,000
2026	105,000
2027	110,000
2028 (1)	120,000

(1) Final maturity

1998 Series B-2 Bonds Maturing on October 1, 2040

Year (October 1)	Sinking Fund Installment
2033	\$155,000
2034	250,000
2035	410,000
2036	575,000
2037	610,000
2038	60,000
2039	795,000
2040 (1)	235,000

(1) Final maturity

or, if less than such amount of the 1998 Series B Bonds of any such series and maturity is Outstanding on such cumulative sinking fund payment date, an amount equal to the aggregate principal amount of all such 1998 Series B Bonds of such series and maturity then Outstanding. *Except with respect to deposits to be made for the Sinking Fund Installment due on the final maturity of the 1998 Series B Bonds of any such series and maturity as to which there will be no contingency, the payment of such Sinking Fund Installments with respect to the 1998 Series B Bonds of any such series and maturity will be contingent upon there being, and will be due and payable and are to be made only to the extent there are, amounts available therefor in the Debt Service Fund from Mortgage Repayments allocated to the 1998 Series B Bonds of such series and maturity. It is expected that unless a default occurs on one or more of the Mortgage Loans, the revenues available to the Trustee under the Resolutions will be adequate to enable the Trustee to make the scheduled Sinking Fund Installments set forth above (as*

such amounts may be reduced as described herein). However, the failure to make such sinking fund installments due to insufficient available funds or otherwise will not constitute a default under the Resolutions. See "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Limited Security." Notwithstanding the foregoing, 1998 Series B Bonds of any such series and maturity will only be redeemed pursuant to the cumulative sinking fund described above if, on the date specified for such redemption, there is at least \$10,000 in the Debt Service Fund from Mortgage Repayments allocated to the 1998 Series B Bonds of such series and maturity. If such amount is available in such fund, 1998 Series B Bonds of any such series and maturity will be redeemed on such date in \$5,000 increments, up to the maximum specified for such date (including any amount accumulated from previous unpaid amounts).

To the extent that payments on account of any Sinking Fund Installment (other than the Sinking Fund Installment due on the final maturity of the 1998 Series B Bonds of any such series and maturity) are not made in the full amount of such installment, the deficiency is to be added to the amount of the Sinking Fund Installment for the following year with respect to the 1998 Series B Bonds of such series and maturity.

Redemption Procedures

Credit Against Sinking Fund Installments

The Authority may direct the manner in which 1998 Series B Bonds which are redeemed as described in "Redemption of the 1998 Series B Bonds" (except as described in "Cumulative Sinking Fund Installments" under that caption) are credited against remaining sinking fund installments. If the Authority does not so direct, the par value of 1998 Series B Bonds so redeemed is to be credited against all remaining sinking fund installments in the proportion which the then remaining balance of each such sinking fund installment bears to the total of all 1998 Series B Bonds then Outstanding.

Selection of Bonds for Redemption

The Authority may direct the redemption of 1998 Series B Bonds in any order of maturity and of any series. If less than all of the 1998 Series B Bonds of like maturity are called for redemption, the particular 1998 Series B Bonds or portions of 1998 Series B Bonds or any series thereof to be redeemed are to be selected at random by the Trustee.

Provisions for Notices of Redemption

Any notice of redemption required to be given under the General Resolution or the 1998 Series B Resolution in connection with the 1998 Series B Bonds is to be mailed, postage-prepaid, by first-class mail, by the Trustee not less than fifteen (15) days nor more than thirty (30) days before the redemption date to the registered owners of any 1998 Series B Bonds or portions of Bonds which are to be redeemed. Such notice is to include the following information:

- (a) the complete official name of the 1998 Series B Bonds to be redeemed, the identification numbers of 1998 Series B Bond certificates and the CUSIP numbers of the 1998 Series B Bonds to be redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers, either as printed on such 1998 Series B Bonds or as contained in the notice of redemption;
- (b) any other descriptive information needed to identify accurately the 1998 Series B Bonds being redeemed, including, but not limited to, the original issuance date and maturity date of, and interest rate on, such 1998 Series B Bonds;
- (c) amounts called for each 1998 Series B Bond certificate in the case of partial calls;
- (d) the date of mailing of redemption notices; and
- (e) the name and address of the redemption agent.

In accordance with the General Resolution, the obligation of the Trustee to give any notice of redemption required by the Resolutions will not be conditioned upon the prior payment to the Trustee of moneys or Government Obligations sufficient to pay the Redemption Price of the 1998 Series B Bonds to which such notice relates or the interest thereon to the redemption date.

A second notice of redemption provided in the same manner as the first notice of redemption is to be given, not later than 60 days after the redemption date, to registered Owners of 1998 Series B Bonds or portions thereof called for redemption but who failed to deliver 1998 Series B Bonds for redemption prior to the 30th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the Owner of such 1998 Series B Bonds receives the notice. Receipt of such notice will not be a condition precedent to such redemption, and failure so to receive any such notice by any of such registered Owners will not affect the validity of the proceedings for the redemption of 1998 Series B Bonds.

In addition to the foregoing, further notice of any redemption of 1998 Series B Bonds hereunder is to be given by the Trustee (i) for receipt at least two business days in advance of the mailed notice to 1998 Series B Bondholders, by registered or certified mail, return receipt requested, or by overnight delivery service to any registered securities depository that is a registered Owner of 1998 Series B Bonds and (ii) simultaneously with mailed notice to 1998 Series B Bondholders, by registered or certified mail, or by overnight delivery service to at least two national information services that disseminate notices of redemption of obligations such as the 1998 Series B Bonds (such as Financial Information Inc., Financial Daily Called Bond Service, Kenny Information Service's Called Bond Service, Moody's Municipal and Government, and Standard & Poor's Called Bond Record). Such further notice is to contain the information set forth above and as required by the General Resolution. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

Notwithstanding the provisions of the General Resolution to the contrary, newspaper publication of notice of redemption of 1998 Series B Bonds will not be required. Mailing of notice of redemption of 1998 Series B Bonds will be a condition to the redemption of 1998 Series B Bonds, but failure to mail notice to the registered owner of any 1998 Series B Bond designated for redemption, or any defect in any notice given, will not affect the validity of any proceedings for the redemption of the 1998 Series B Bonds as to which no such failure has occurred. Any notice mailed pursuant to the 1998 Series B Resolution and the General Resolution will be conclusively presumed to have been duly given, whether or not the registered Owner actually receives the notice. The Owners of the 1998 Series B Bonds, by their acceptance of such 1998 Series B Bonds, acknowledge the sufficiency of mailed notice as provided in the General Resolution and the 1998 Series B Resolution.

Discharge and Defeasance

The Authority reserves the right to discharge the pledge and lien created by the 1998 Series B Resolution by depositing with the Trustee moneys or Government Obligations in an amount which will be sufficient to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on the 1998 Series B Bonds at the maturity or redemption thereof.

PLAN OF FINANCING

Sources and Uses of Funds

The following are the estimated sources and uses of funds (excluding accrued interest) relating to the 1998 Series B Bonds.

SOURCES OF FUNDS:	<u>Estimated Amounts</u>
Proceeds of Taxable 1998 Series B-1 Bonds	\$2,995,000.00
Proceeds of 1998 Series B-2 Bonds	4,305,000.00
Unspent proceeds of 1997 Series B Bonds (1).....	6,470,000.00
Amounts advanced by the Authority (2).....	370,915.25
Owner contribution (Los Caballeros).....	<u>71,914.41</u>
TOTAL SOURCES OF FUNDS	<u>\$14,212,829.66</u>
USES OF FUNDS:	
Deposit to 1998 Series B Project Accounts (3).....	\$13,763,500.00
Deposit to Negative Arbitrage Accounts (4).....	75,000.00
Deposit to Capitalized Interest Accounts (5).....	78,414.41
For certain Costs of Issuance and Underwriters' compensation (6).....	<u>295,915.25</u>
TOTAL USES OF FUNDS (7)	<u>\$14,212,829.66</u>

- (1) Unspent proceeds on deposit in the 1997 Series B Project Account will be advanced as a Mortgage Loan and used, together with proceeds of the 1998 Series B Bonds advanced as a 1998B Mortgage Loan, to finance the 1998B Project relating to the Los Caballeros Apartments.
- (2) In accordance with their respective funding agreements, the Sponsors are required to reimburse the Authority for such amounts used to fund the Negative Arbitrage Accounts as described in "The Negative Arbitrage Accounts" and to pay certain capitalized interest and costs of issuance relating to the 1998B Projects.
- (3) These accounts are created within the Program Fund. Such amounts may be used to Acquire Mortgage Loans in accordance with the Resolutions. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Program Fund." For a description of the 1998B Projects currently expected to be financed in part with the 1998B Mortgage Loans, see "THE 1998B PROJECTS - General Description" and Appendix C hereto. Prior to the use thereof, such amounts are expected to be invested pursuant to a master repurchase agreement as described in "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Investment Agreement."
- (4) These accounts will be created within the Program Fund for the 1998B Projects. See "The Negative Arbitrage Accounts" under this caption.
- (5) See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Capitalized Interest Accounts."
- (6) Certain of such amounts will be deposited to the 1998 Series B Costs of Issuance Account of the Program Fund and used to pay certain Costs of Issuance relating to the 1998 Series B Bonds, including trustee fees, legal fees, printing costs, any premium for a surety bond and rating fees. For information concerning the Underwriters' compensation, see "UNDERWRITING."
- (7) Amounts presently on deposit in the Debt Service Reserve Fund (equal to \$852,165) will be allocated, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Debt Service Reserve Fund."

The Financing Plan

Proceeds of the 1998 Series B Bonds will be used to make the 1998B Mortgage Loans and to make the required deposits to funds and accounts, as described in "Sources and Uses of Funds" under this caption. It is expected that the 1998B Mortgage Loans will be made to the respective Sponsors in connection with the 1998B Projects. Each of the Sponsors is expected to use the amounts so loaned to it as the 1998B Mortgage Loan to finance, in part, the substantial rehabilitation of, and certain costs associated with, the respective 1998B Project described in "THE 1998B PROJECTS." Certain unspent proceeds of the Authority's outstanding 1997 Series B Bonds will also be advanced as a Mortgage Loan to finance a portion of the Los Caballeros Apartments project. See "Sources and Uses of Funds" under this caption.

The Negative Arbitrage Accounts

Under the 1998 Series B Resolution, the Authority will create a separate special account within the Program Fund for each of the 1998B Projects (including any Project substituted for such 1998B Projects). Moneys in each such Negative Arbitrage Account will be subject to the lien and pledge of the Resolutions until the withdrawal and application thereof in accordance with the 1998 Series B Resolution. There is to be credited to each Negative Arbitrage Account on the date of issuance of the 1998 Series B Bonds or the date of substitution of the related Project for another Project, as the case may be, Authority moneys in the amount, if any, specified by the Authority on such date in an Authority Certificate, and which is to be the amount, if any, reasonably estimated by the Authority to equal the difference between (A) the amount of interest payable on the portion of the Taxable 1998 Series B-1 Bonds and/or the 1998 Series B-2 Bonds, as the case may be, allocable to the related Project from the date of issuance of the 1998 Series B Bonds to the anticipated date of Completion of the related Project and (B) the anticipated investment earnings on amounts in the Program Fund allocable to the related Project and Revenues from the related Mortgage Loan prior to such anticipated date of Completion. There is also to be credited to each Negative Arbitrage Account from time to time additional Authority moneys in the event that the anticipated date of Completion of the related Project is later than had been anticipated on the date of the most recent deposit to such Negative Arbitrage Account or if amounts in the Program Fund are expended for the related Project more slowly than had been anticipated on the date of the most recent deposit to such Negative Arbitrage Account. ANY SUCH MONEYS COLLECTED BY THE AUTHORITY FROM A SPONSOR TO REIMBURSE THE AUTHORITY FOR ANY DEPOSIT TO THE RELATED NEGATIVE ARBITRAGE ACCOUNT PURSUANT TO THE 1998 SERIES B RESOLUTION AS DESCRIBED IN THIS PARAGRAPH WILL BE AND REMAIN THE PROPERTY OF THE AUTHORITY AND WILL NOT BE SUBJECT TO THE LIEN AND PLEDGE OF THE RESOLUTIONS.

Moneys in each Negative Arbitrage Account are to be transferred to the Revenue Fund upon Completion of the related Project or the date that amounts in the Program Fund allocable to the related Project are transferred to the Redemption Fund pursuant to the 1998 Series B Resolution, all as is directed by the Authority, in an amount determined by the Authority equal to the difference between (A) the amount of interest payable on the portion of

the Taxable 1998 Series B-1 Bonds and/or the 1998 Series B-2 Bonds, as the case may be, allocable to the related Project since the previous transfer from such Negative Arbitrage Account (or, if none, from the date of the initial deposit to such Negative Arbitrage Account) and (B) the investment earnings on amounts in the Program Fund allocable to the related Project and Revenues from the related Mortgage Loan prior to such anticipated date of Completion since the previous transfer from such Negative Arbitrage Account (or, if none, from the date of the initial deposit to such Negative Arbitrage Account).

The amount in any Negative Arbitrage Account with respect to a Mortgage Loan that becomes a Defaulted Mortgage Loan is to be transferred to the Redemption Fund at the time that the Authority receives or recovers any Prepayment of such Mortgage Loan, upon the direction of the Authority. If a Mortgage Loan is not closed on account of any failure to meet the conditions of the Authority's conditional financing approval or loan commitment or of the firm commitment of the FHA to insure such Mortgage Loan, or for any other reason provided that the Authority has issued its loan commitment with respect to such Mortgage Loan and is ready and willing to close, and the Authority is unable to finance a substitute Project, the amount in the related Negative Arbitrage Account is to be transferred, at the Authority's direction, to the Revenue Fund. Upon the Completion of a Project, the date that another Project is substituted for such Project or the date that amounts in the Program Fund allocable to such Project are transferred to the Redemption Fund pursuant to the 1998 Series B Resolution, any amounts in the related Negative Arbitrage Account that have not been transferred to the Revenue Fund or to the Redemption Fund pursuant to the 1998 Series B Resolution as described above are to be paid by the Authority to the related Sponsor to the extent and under the circumstances provided in the related Funding Agreement between the Authority and the Sponsor. Each Negative Arbitrage Account is to be terminated upon the earliest of the Completion of the related Project, the date that another Project is substituted for the related Project, the date that amounts in the Program Fund allocable to the related Project are transferred to the Redemption Fund pursuant to the 1998 Series B Resolution or the date on which there is no remaining balance in such Negative Arbitrage Account.

THE 1998B PROJECTS

General Description

The Authority reasonably expects that the two 1998B Projects described in Appendix C attached hereto will be financed, in part, with amounts to be disbursed as 1998B Mortgage Loans. See "PLAN OF FINANCING." The General Resolution, however, permits the Authority at any time and at its option to designate one or more Projects in substitution for the Projects listed as the 1998B Projects in the 1998 Series B Resolution. Furthermore, if either or both of such 1998B Projects is unable to be so financed, the Authority may choose to use amounts allocated in the 1998B Project Accounts to such 1998B Project to redeem 1998 Series B Bonds at par under the circumstances described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds - Redemption from Bond Proceeds at Option of Authority." See "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Early Redemption." Certain restrictions on the rental and occupancy of the 1998B Projects will be imposed on the respective Sponsors. See "The Regulatory Agreements" under this caption.

The Sponsors

The 1998B Mortgage Loans are expected by the Authority to be made to the particular private developers, referred to as the "Sponsors" and described in Appendix C hereto, in connection with the 1998B Projects. Repayment of amounts due on the respective 1998B Mortgage Loan will be a nonrecourse obligation of the respective Sponsor, payable solely from revenues generated by the respective 1998B Project. The Sponsors will not have any obligations under the Mortgage Loan documents to cover any losses in the event of a default on the 1998 Series B Bonds or to continue the 1998B Projects in operation. Each of the Sponsors will own its respective 1998B Project as its sole asset. See "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Limited Security."

Certain Assumptions Relating to the 1998B Projects

The 1998B Mortgage Loans relating to the 1998B Projects described in Appendix C are expected to be made in the following aggregate principal amounts and will be funded as described in "PLAN OF FINANCING":

1998B Projects Expected to be Financed

<u>Name of Project</u>	<u>Nature of Project</u>	<u>Location</u>	<u>Number of Units</u>	<u>Estimated 1998B Mortgage Amount</u>
Los Caballeros Apartments	Substantial rehabilitation/ acquisition	Thornton	144	\$5,665,500*
Holly Park West Apartments	Substantial rehabilitation/ acquisition	Commerce City	96	1,628,000

* Unused proceeds of the Authority's 1997 Series B Bonds in the amount of \$6,470,000 are expected to be advanced as a Mortgage Loan and used, together with this 1998B Mortgage Loan, to finance the Los Caballeros Apartments project.

See "PLAN OF FINANCING - Sources and Uses of Funds." Pursuant to the 1998B Mortgage Loans, the Sponsors will make Mortgage Repayments to the Authority, which Mortgage Repayments will constitute Revenues pledged under the General Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Revenues" and "- The Mortgage Loans." Based on the analysis made by the Authority in determining to underwrite the proposed 1998B Mortgage Loans and the assumptions described in Appendix C hereto, the Authority expects, although no assurance can be given, that the cashflow from each 1998B Project will be sufficient for the respective Sponsor to pay amounts due under the respective 1998B Mortgage Loan. However, the projected level of cashflow for any 1998B Project may vary due to the uncertainty of future occupancy levels (including certain restrictions on use of the 1998B Project which may lead to lower occupancy), future operating expenses or other such factors which have been predicted using certain assumptions which may prove to be incorrect. Each of the proposed 1998B Projects is subject to a HAP Contract, as described in Appendix C hereto. For "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Expiration of HAP Contracts."

The Regulatory Agreements

Simultaneously with the closing of each 1998B Mortgage Loan, each Sponsor will enter into a regulatory agreement with the Authority (collectively, the "CHFA Regulatory Agreements") relating to the respective 1998B Project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Sponsors will agree, among other things, to rent the units in the 1998B Projects so as to comply with applicable provisions of the Tax Code. In particular, each Sponsor will agree that each individual rental unit in the respective 1998B Project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis. The Sponsors will also agree to the following respective occupancy requirements:

Occupancy Requirements for 1998B Projects

<u>Project Name</u>	<u>Occupancy Requirements</u>
Los Caballeros Apartments	Before 11/30/2003 - 66% of units to persons or families whose incomes do not exceed 60% of area median income; 34% of units to persons or families whose incomes do not exceed 50% of area median income; on and after 11/30/2003 - 95% of units to persons or families whose incomes do not exceed 60% of area median income
Holly Park West Apartments	80% of units to persons or families whose incomes do not exceed 50% of area median income; the remaining 20% for persons or families whose incomes do not exceed 60% of area median income

In addition to the occupancy requirements described above, the CHFA Regulatory Agreements will impose on each of the Sponsors a requirement to provide for rents which do not exceed 30% of the maximum income limit for the units subject to such occupancy requirements. See also Appendix C for a discussion of the HAP Contracts currently in effect for the proposed 1998B Projects and the relationship between the occupancy requirements on such 1998B Projects and the possible expiration of such HAP Contracts.

The CHFA Regulatory Agreements will also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among other things, to insure compliance with the requirements of the Tax Code with respect to the excludability of the interest on the 1998 Series B-2 Bonds from gross income. Upon any breach by a Sponsor of any provisions of its CHFA Regulatory Agreement, the Authority may take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Sponsor may result in interest on the 1998 Series B-2 Bonds being included in gross income of the Owners of the 1998 Series B-2 Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 1998 Series B-2 Bonds under the General Resolution or the 1998 Series B Resolution as described in "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Taxability of 1998 Series B-2 Bonds" and "TAX MATTERS."*

In connection with the closing of the 1998B Mortgage Loan relating to the Los Caballeros Apartments project being insured under Section 221(d)(4), the Sponsor will also enter into a regulatory agreement with the FHA (the "FHA Regulatory Agreement"). Under such FHA Regulatory Agreement, the Sponsor is required to keep such 1998B Project in good condition and dwelling units are not to be rented for a period of less than 30 days or more than one year. In the event of a default by a Sponsor under such FHA Regulatory Agreement, the Secretary of HUD may exercise a variety of remedies, including a request that the Authority declare a default under the Mortgage Loan and accelerate the indebtedness due thereunder. See "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - Federal Insurance Claims in the Event of Default - Section 221(d)(4) Program."

SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS

Pledge Under the General Resolution

The 1998 Series B Bonds are special, limited obligations of the Authority secured by and payable solely from revenues, assets and moneys pledged for the payment thereof under the General Resolution. The 1998 Series B Bonds and any other bonds heretofore or hereafter issued and Outstanding under the General Resolution (collectively, the "Bonds") are secured equally and proportionately by the pledge described below. For a description of the Bonds issued to date under the General Resolution, outstanding as of June 30, 1998 in the aggregate principal amount of \$431,985,000, see "Outstanding Bonds and Additional Bonds" under this caption. *Notes and bonds heretofore or hereafter issued to provide funds for programs of the Authority (other than the Multi-Family Housing Insured Mortgage Loan Program) are and will be authorized and secured by resolutions of the Authority other than the General Resolution, are not and will not be secured by the pledge of the General Resolution and do not and will not rank on a parity with the 1998 Series B Bonds. See "COLORADO HOUSING AND FINANCE AUTHORITY - Programs to Date."*

Under the General Resolution, the 1998 Series B Bonds are secured by an express lien on:

- (i) the proceeds of the Bonds (including the 1998 Series B Bonds);
- (ii) the Revenues (as described below in "Revenues" under this caption) and all other moneys (except commitment fees paid to the Authority and Escrow Payments) received by the Authority or the Trustee with respect to the Mortgage Loans (including the 1998B Mortgage Loans) and the Projects (including the 1998B Projects);
- (iii) all moneys (except Escrow Payments) on deposit in the Funds and Accounts established under the General Resolution (see, for example, "Debt

Service Reserve Fund," "Mortgage Loan Reserve Fund" and "Negative Arbitrage Accounts" under this caption); and

(iv) the rights and interests of the Authority in the Mortgage Loans described in "The Mortgage Loans" under this caption, which include the 1998B Mortgage Loans to be financed with proceeds of the 1998 Series B Bonds.

In no event shall the 1998 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof.

Revenues

Under the General Resolution, "Revenues" means all income and receipts of whatever kind (other than commitment fees paid to the Authority and Escrow Payments) received by the Authority from or with respect to Mortgage Loans or Projects, including without limitation Mortgage Repayments, Fees and Charges, Housing Subsidy Payments (other than amounts which the Authority is obligated to pay to the Mortgagor), Prepayments and Acquired Project Income (representing all revenues from Projects owned by the Authority). The pledge of such Revenues is subject to the respective liens of the Trustee, Depositaries and Paying Agents for reasonable compensation and expenses. For a more complete description of the Revenues, and the pledge thereof, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Revenue Fund" and "-Allocation of Moneys in the Revenue Fund."

The Mortgage Loans

General

As of March 17, 1998, the Authority maintained in its portfolio approximately \$315,410,044.78 in aggregate outstanding principal amount of Mortgage Loans under the General Resolution, the payments under which are pledged to repayment of the Authority's outstanding Bonds and, upon the issuance thereof, the 1998 Series B Bonds. The 1998B Mortgage Loans will also be Mortgage Loans pledged to repayment of the Bonds. "Mortgage Loan" is defined by the General Resolution to be an interest-bearing obligation evidencing a loan which is made by the Authority to a Sponsor, secured by an instrument evidencing a first mortgage lien on a Project, and insured by the Government (as defined by the General Resolution). Reference to a Mortgage Loan in this Official Statement includes the mortgage notes evidencing mortgage loans to the Sponsors, which notes are to be endorsed for insurance.

For certain information as of March 17, 1998 about the outstanding Mortgage Loans and Projects under the General Resolution, see Appendix F attached hereto.

Federal Insurance of Mortgage Loans

The General Resolution requires that any Mortgage Loan funded with the proceeds of Bonds, including the 1998 Series B Bonds, be insured by an agency or instrumentality of the United States under a program requiring payment of not less than ninety-nine percent (99%) of the principal amount of such Mortgage Loan in the event of a default by the Sponsor and be secured by a first Mortgage on the applicable Project or Projects. As described in "DESCRIPTION OF MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - Federal Insurance Programs," all but two of the Mortgage Loans previously financed have been insured by the FHA under Sections 221(d)(3), 221(d)(4) or 223(f) of the National Housing Act of 1934, as amended, or Section 542(c) of the Housing and Development Act of 1992, as amended ("Section 542(c)").

One of the 1998B Mortgage Loans (with respect to the Holly Park West Apartments) is expected to be insured under Section 542(c) and one 1998B Mortgage Loan (with respect to the Los Caballeros Apartments) is expected to be insured under Section 221(d)(4). Applications have been made to the Authority with respect to the Holly Park West Apartments project for the Authority's approval of FHA insurance in accordance with Section 542(c), and an application has been made in connection with the Los Caballeros Apartments project for FHA insurance under Section 221(d)(4). The Authority has approved, subject to satisfaction of certain conditions, and FHA has delivered a firm approval letter with respect to, the 1998B Mortgage Loan to be insured under Section 542(c). With respect to the Los Caballeros Apartments project, the FHA has issued its firm commitment to insure the proposed 1998B Mortgage Loan related to such project. Insurance claims paid by FHA under its Section 542(c) or Section 221(d)(4) insurance are to be made with cash payments (except at the option of the mortgagee). See "DESCRIPTION OF MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - FHA Insurance Claims in the Event of Default."

Certain Terms of the 1998B Mortgage Loans

The 1998B Mortgage Loans will be secured by a first lien mortgage on the 1998B Projects. The 1998B Mortgage Loans will also include certain provisions restricting prepayment thereof by the respective Sponsors. A Sponsor may voluntarily prepay the 1998B Mortgage Loans in whole or in part only on and after October 1, 2008 (except to the extent prepayment amounts are used to Acquire one or more additional Mortgage Loans in accordance with the Resolutions or are used to redeem 1998 Series B Bonds in accordance with the optional redemption provisions of the 1998 Series B Resolution) after notice to the Authority and payment of a prepayment penalty equal to any costs of the Authority associated with redemption of any such 1998 Series B Bonds. However, the 1998B Mortgage Loans may be prepaid in part or in full without consent of the Authority and without prepayment penalty if the U.S. Department of Housing and Urban Development ("HUD") determines that prepayment will avoid a mortgage insurance claim and is, therefore, in the best interest of the Federal government. The 1998B Mortgage Loans may describe certain specific circumstances under which HUD would consider exercising such an override of the Authority's prepayment lockout and/or penalty provision.

Servicing by the Authority

The Authority will service the 1998B Mortgage Loans. The Finance Division of the Authority will handle the receipt and disbursement of funds related to the 1998B Mortgage Loans. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Asset Management Division of the Authority will oversee compliance by the Sponsors with requirements of the 1998B Mortgage Loans, including occupancy restrictions, and will review the financial status of the 1998B Projects. The Authority similarly oversees compliance for the other Mortgage Loans outstanding under the General Resolution. In connection with the Section 542(c) insurance, the Authority has agreed to perform annual physical inspections, to analyze annual project audits and financial statements and to submit semiannual reports to FHA setting forth information about the status of the related Projects. For more information concerning the Authority, see "COLORADO HOUSING AND FINANCE AUTHORITY."

Debt Service Reserve Fund

The General Resolution establishes a Debt Service Reserve Fund for all of the Bonds. The Debt Service Reserve Fund Requirement is as of any date the maximum amount of principal (including Sinking Fund Installments) and interest becoming due on all Bonds then Outstanding under the General Resolution, excluding Debt Service Reserve Fund Bonds (those issued to provide amounts for deposit in the Debt Service Reserve Fund), in the current or in any future Bond Year. It is a condition precedent to the authentication by the Trustee of any series of Bonds that the amount (funded as cash or with a Qualified Financial Instrument) in the Debt Service Reserve Fund, after issuing such series of Bonds and placing in the Debt Service Reserve Fund the amount provided for in the series resolution authorizing such Bonds, is at least equal to the Debt Service Reserve Fund Requirement. An aggregate amount of \$36,496,713.56 was as of March 31, 1998 on deposit in the Debt Service Reserve Fund.

In connection with the issuance of the 1998 Series B Bonds, the Authority will initially satisfy the Debt Service Reserve Fund Requirement for the 1998 Series B Bonds (equal to maximum annual debt service on the 1998 Series B Bonds which is \$852,165) with an allocation of amounts currently on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement. However, the Authority is permitted at any time under the terms of the General Resolution, and presently expects, to replace such amount with a Qualified Financial Instrument. **If the Authority so deposits a Qualified Financial Instrument to fund the Debt Service Reserve Fund Requirement for the 1998 Series B Bonds, the 1998 Series B Bonds will be secured with respect to the Debt Service Reserve Fund only by such Qualified Financial Instrument and not by other moneys or financial instruments on deposit in the Debt Service Reserve Fund.** See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Debt Service Reserve Fund."

Mortgage Loan Reserve Fund

Pursuant to a Supplemental Resolution adopted by the Authority on May 19, 1982, a Mortgage Loan Reserve Fund was established to further secure Bonds issued under the General Resolution. Such Mortgage Loan Reserve Fund was initially funded from the proceeds of the Authority's 1982 Series A Bonds, in an amount equal to approximately 1% of the amount of the proceeds of such Bonds deposited in the Program Fund. In connection with issuance of the Authority's 1982 Series B Bonds and 1984 Series B Bonds, an amount equal to approximately 1% of the amount of the proceeds of such Bonds deposited in the Program Fund was also deposited in the Mortgage Loan Reserve Fund. In connection with the issuance of the Authority's 1991 Series A Bonds, the sponsor of the Mortgage Loan relating thereto was required to contribute to the Mortgage Loan Reserve Fund an amount equal to 1% of the proceeds of the 1991 Series A Bonds deposited in the Program Fund.

Moneys in the Mortgage Loan Reserve Fund will be available to make up deficiencies in the Debt Service Fund prior to withdrawing moneys from the Debt Service Reserve Fund for such purpose, to pay amounts required in connection with the Authority's protection or enforcement of its rights with respect to a Mortgage Loan in default. *There is no requirement that moneys be added to the Mortgage Loan Reserve Fund in connection with the issuance of any series of Bonds issued under the General Resolution. Upon the issuance of the 1998 Series B Bonds, there will not be any additional amounts deposited in the Mortgage Loan Reserve Fund.* If there is no Event of Default during the past Bond Year, the Authority may request the Trustee to transfer to the Revenue Fund all or a part of the amount, if any, in excess of the Mortgage Loan Reserve Fund Requirement, defined by the General Resolution to be, as of any date of calculation, an amount equal to one percent of the aggregate amount deposited in the Program Fund in accordance with all Series Resolutions adopted by the Authority to authorize the issuance of Bonds then Outstanding. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Mortgage Loan Reserve Fund." The aggregate amount on deposit in the Mortgage Loan Reserve Fund as of March 31, 1998 was \$1,370,000, an amount at least equal to the Mortgage Loan Reserve Fund Requirement after issuance of the 1998 Series B Bonds.

Negative Arbitrage Accounts

Pursuant to the 1998 Series B Resolution, the Sponsors will be required to reimburse the Authority for certain amounts deposited by the Authority to the Negative Arbitrage Accounts for the 1998 Series B Bonds. Any amounts on deposit in such Accounts will secure the 1998 Series B Bonds until applied in accordance with the 1998 Series B Resolution, as described in "PLAN OF FINANCING - The Negative Arbitrage Accounts." Any moneys collected by the Authority from the Sponsors to reimburse the Authority for any deposit to the Negative Arbitrage Accounts as described in this paragraph will be and remain the property of the Authority and will not be subject to the lien and pledge of the Resolutions.

Subordinate Notes and Liens

The Authority may approve subordinate liens on the 1998B Projects to the extent such liens are permitted by the FHA in connection with its insurance of the 1998B Mortgage Loans.

Outstanding Bonds and Additional Bonds

The Authority has heretofore issued, under the General Resolution, the nineteen series of Bonds shown below for the purpose of financing the Mortgage Loans described in "The Mortgage Loans" under this caption. Eighteen of such series of Bonds are currently outstanding. The Authority is permitted by the General Resolution to issue additional series of Bonds, subject to certain conditions, which additional Bonds will be secured equally with the 1998 Series B Bonds by the revenues, assets and moneys pledged under the General Resolution as described herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Multi-Family Housing Insured Mortgage Revenue Bonds Issued and Outstanding as of June 30, 1998

<u>Bond Issue</u>	<u>Issued</u>	<u>Outstanding</u>
1977A	\$ 21,050,000	\$ 16,395,000
1977B	43,830,000	34,830,000
1979A	42,750,000	-0- (4)
1982A	104,735,000	21,695,000 (1)
1982B	28,780,000	11,645,000 (1)
1984A	23,765,000	6,250,000 (2)
1991A	2,570,000	2,525,000
1992A (1)	86,940,000	82,710,000
1993A	17,515,000	16,985,000
1995A	13,130,000	12,140,000 (3)
1995B	14,455,000	14,455,000
1995C	13,085,000	13,085,000
1996A	39,720,000	38,880,000
1996B (2)	9,055,000	9,055,000
1996C	24,465,000	24,465,000
1997A	20,150,000	20,150,000
1997B	29,860,000	29,860,000
1997C (3)(4)	56,130,000	56,130,000
1998A	<u>20,730,000</u>	<u>20,730,000</u>
Total	<u>\$612,715,000</u>	<u>\$431,985,000</u>

- (1) Proceeds of the 1992 Series A Bonds were used to partially refund certain of the 1982 Series A and 1982 Series B Bonds shown in this table.
- (2) Proceeds of the 1996 Series B-4 Bonds were used to refund \$13,940,000 of the outstanding 1984 Series A Bonds.
- (3) Proceeds of the 1997 Series C Bonds were used to refund a portion of the 1995 Series A Bonds.
- (4) Proceeds of the Taxable 1997 Series C Bonds were used to refund all of the 1979 Series A Bonds.

CERTAIN CONSIDERATIONS FOR BONDHOLDERS

The following is a summary, which does not purport to be comprehensive or definitive, of certain considerations relating to purchase of the 1998 Series B Bonds. *A full review, however, should be made of the entire Official Statement in connection with any decision to purchase 1998 Series B Bonds.*

Limited Security

The 1998 Series B Bonds are special limited obligations of the Authority payable solely from pledged revenues, assets and moneys on a parity with certain other Bonds heretofore and which may be hereafter issued, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Pledge Under the General Resolution," "-The Mortgage Loans" and "- Outstanding Bonds and Additional Bonds." See "THE 1998B PROJECTS - The Sponsors."

Expiration of HAP Contracts

As indicated on Appendix F hereto, a substantial portion of the Mortgage Loans (including the 1998B Mortgage Loans) are secured in part by housing assistance payments ("HAP") contracts with terms expiring prior to expiration of the related Mortgage Loan. See also Appendix C attached hereto. These contracts by their terms do not contemplate renewal nor did the parties otherwise provide for such renewal at the time the HAP contracts were originally granted. However, federal legislation enacted in October 1997, referred to as the Multifamily Assisted Housing Reform and Affordability Act of 1997, will provide for the restructuring of mortgage financing and the renewal of HAP contracts for certain multifamily housing projects, with the objective of reducing the cost to the federal government. HUD expects to provide guidance in the next several months concerning the implementation of this law. The Authority is unable at this time to predict the impact of expiration of these HAP contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the General Resolution for payment of the Bonds, including the 1998 Series B Bonds.

Taxability of 1998 Series B-2 Bonds

The 1998 Series B-2 Bonds are not subject to redemption, and the rate of interest on the 1998 Series B-2 Bonds is not subject to adjustment, by reason of the interest on the 1998 Series B-2 Bonds being included in gross income for purposes of federal income taxation. Such event could occur if a Sponsor (or any subsequent owner of a Project) does not comply with the provisions of the respective CHFA Regulatory Agreement which is designed, if complied with, to satisfy the continuing compliance requirements of the Tax Code in order for the interest on the 1998 Series B-2 Bonds to be excludable from gross income for purposes of federal income tax. See "THE 1998B PROJECTS - The Regulatory Agreements" and "TAX MATTERS."

Early Redemption

Purchasers of 1998 Series B Bonds, including those who purchase 1998 Series B Bonds at a price in excess of their principal amount or who hold such a 1998 Series B Bond trading at a price in excess of par, should consider the fact that the 1998 Series B Bonds are subject to redemption at a Redemption Price equal to their principal amount plus accrued interest. See "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds." This could occur, for example, in the event that proceeds deposited to the Project Fund are not used within a three year time period to originate Mortgage Loans (see "THE 1998B PROJECTS"), any 1998B Mortgage Loan is prepaid as a result of a casualty or condemnation award payments affecting a 1998B Project or, in the event of a default under any 1998B Mortgage Loan (as a result of the inability to operate a 1998B Project successfully), the Authority may use FHA insurance proceeds, or may sell FHA debentures it receives and use the proceeds of such sale, or may be directed by FHA otherwise, to redeem the 1998 Series B Bonds.

In addition, the 1998 Series B Bonds are subject to prior redemption at the option of the Authority on and after certain dates and at certain redemption prices described in "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds - Optional Redemption" or at par to the extent such redemption payments are available as a result of reductions from the Debt Service Reserve Fund Requirement attributable to payments at maturity, to the purchase and cancellation of 1998 Series B Bonds or to cumulative sinking fund redemption payments.

Enforcement of Regulatory Agreements

The CHFA Regulatory Agreements allow for enforcement by declaration of default under the 1998B Mortgage Loans and an acceleration of the 1998B Mortgage Loans at the discretion of the Authority. Such acceleration may, under certain circumstances, require HUD consent. As a condition to FHA's insuring the 1998B Mortgage Loan for the Los Caballeros Apartments under Section 221(d)(4), the CHFA Regulatory Agreement is made expressly subordinate to the obligations under such 1998B Mortgage Loan, and enforcement of the CHFA Regulatory Agreement is expressly limited so that enforcement will not serve as the basis for a declaration of default under such 1998B Mortgage Loan or an acceleration of such 1998B Mortgage Loan or result in any claim under such 1998B Mortgage Loan, or claim against the related 1998B Project, such 1998B Mortgage Loan proceeds, any reserve or deposit made with the servicer or another person or entity required by HUD in connection with such 1998B Mortgage Loan transactions, or against the rents or other income from the 1998B Project. Consequently, in connection with such 1998B Mortgage Loan for the Los Caballeros Apartments, the rights of the Authority or the Trustee to enforce a claim for money damages would be severely restricted. Furthermore, with respect to all the 1998B Mortgage Loans, among other things, it may not be possible to accelerate the debt evidenced by the 1998B Mortgage Loans for a covenant default relating to the 1998B Projects, including a tax-related covenant default.

There is no provision in the 1998 Series B Bonds or the Resolutions for an acceleration of the indebtedness evidenced by the 1998 Series B Bonds or payment of additional interest in the event interest on the 1998 Series B-2 Bonds were declared taxable, and the Authority will not be liable under the 1998 Series B Bonds or the Resolutions for any such payment on the 1998 Series B Bonds whatsoever. See "THE 1998B PROJECTS - The Regulatory Agreements."

Conditions to Payment of FHA Insurance

As discussed in "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - FHA Insurance Claims in the Event of Default," the failure to maintain adequate casualty insurance on any 1998B Project may result in the loss of FHA mortgage insurance benefits in the event of damage to or destruction of such 1998B Project. FHA mortgage insurance benefits may also be impaired as a result of the failure to pay required mortgage insurance premiums to the FHA and failure of the mortgagee to provide the FHA on a timely basis with required notice. As described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans - Servicing by the Authority" and "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - Federal Insurance Programs," the Authority, as mortgagee, will be responsible for servicing the 1998B Mortgage Loans and the maintenance of the FHA mortgage insurance in connection with the 1998B Mortgage Loans. See "COLORADO HOUSING AND FINANCE AUTHORITY."

Investment Agreement

Deposits to the Revenue Fund and the Redemption Fund and Prepayments hereafter deposited to the Program Fund are to be invested by the Trustee in a master repurchase agreement dated the date of delivery of the 1998 Series B Bonds (the "Investment Agreement") with Republic National Bank (the "Investment Provider") at an annual interest rate of 5.15%. Proceeds of the 1998 Series B Bonds deposited to the Program Fund (but not including Prepayments hereafter deposited thereto) are to be invested by the Trustee in the Investment Agreement at an annual interest rate of 5.32%. The assumptions made by the Authority as to the projected level of cash flow in connection with the 1998B Projects include an assumption that the investment rates provided under the Investment Agreement will be available as described. However, in the event that the Investment Agreement is terminated during the term of the 1998 Series B Bonds as a result of default by the Investment Provider or for any other reason, it may not be possible to reinvest such amounts at these assumed rates and the cashflows may be adversely affected. See "THE 1998B PROJECTS." *Neither the Authority nor the Underwriters or their counsel or Bond Counsel makes any representation as to the financial status of the Investment Provider.*

COLORADO HOUSING AND FINANCE AUTHORITY

Background

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Colorado Housing and Finance Authority Act, as amended, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes (the "Act"), authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families.

The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes, and, prior to June 30, 1992, moneys in the economic development fund were available in certain circumstances to make equity investments in business enterprises.

In order to achieve its authorized purposes, the Authority currently operates a Single-Family Mortgage Program, a Multi-Family Housing Facility Loan Program (which includes the Multi-Family Housing Insured Mortgage Loan Program), a Rental Acquisition Program, and various commercial loan programs. The Authority previously operated a Loans to Lenders Home Loan Program, a Multi-Family Housing Rehabilitation Program, a Multi-Family Loans to Lenders Program and a Construction Loan Program. See "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM" and "Programs to Date" under this caption. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described herein. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act, provided that the Authority may not have outstanding, at any one time, bonds (not including bond anticipation notes, bonds that have been refunded and bonds issued to maintain adequate balances in the State unemployment compensation fund) in an aggregate principal amount exceeding two billion four hundred million dollars.

Board of Directors and Staff Officers

The Board of Directors of the Authority consists of the Colorado State Auditor, a member of the Colorado General Assembly appointed jointly by the Speaker of the House and the Majority Leader of the Senate, an executive director of a principal department of State government appointed by the Governor of Colorado and eight public members appointed by the Governor with the consent of the Senate. Members of the Board of Directors continue to serve

after the end of their respective terms until a successor has been duly appointed and confirmed.
 The current members of the Board of Directors of the Authority are as follows:

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Michael J. Rock, Chairman	City Manager; Lakewood, Colorado	June 30, 1999
Veronica Barela, Chairman, <u>pro tem</u>	Executive Director, NEWS Community Development Corporation; Denver, Colorado	June 30, 2001
Joseph A. Garcia, Secretary/Treasurer	Executive Director, Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
J. David Barba	Colorado State Auditor; Denver, Colorado	June 30, 2001
Joseph B. Blake	Senior Vice President, Mission Viejo Company; Highlands Ranch, Colorado	June 30, 2001
Jo Ellen Davidson	Director, Denver Office, The Enterprise Foundation; Denver, Colorado	June 30, 2001
Diana F. Gardner	President, Colorado Community First National Bank-Grand Junction; Grand Junction, Colorado	June 30, 2001
Janet L. Gehlhausen	Owner/Manager, Gehlhausen Rentals; Lamar, Colorado	June 30, 1999
Elsie A. Lacy(1)	Member of the Colorado General Assembly; Arapahoe County, Colorado	End of legislative biennium 1995-96
Carolyn D. Love	Executive Director, Minority Enterprise Inc.; Denver, Colorado	June 30, 1999
Jack Quinn	Executive Director, Housing Authority of the City of Pueblo; Pueblo, Colorado	June 30, 2001

(1) Ms. Lacy's term has expired, but no successor has been appointed.

The principal staff officers of the Authority are currently as follows:

David W. Herlinger, the Executive Director, joined the staff in December 1974 and became the Executive Director in March 1977. Mr. Herlinger, a graduate of Colgate University, received a Masters Degree in Urban and Regional Planning from the University of Colorado. Mr. Herlinger has served as the President of the National Council of State Housing Agencies and currently serves as a board member of the NCSHA. He also currently serves as a member of the Federal Home Loan Bank Board of Topeka.

James A. Roberts, the Director of Legal Operations, joined the staff in December, 1974. Mr. Roberts, a graduate of Yale College and Yale Law School, served with the Michigan State Housing Development Authority from 1970 until December 1974.

Milroy A. Alexander, the Director of Finance, joined the staff in October, 1988, as Assistant Director of Finance. Mr. Alexander, a graduate of Metropolitan State College, Denver, Colorado, was previously a financial manager with a major Colorado manufacturer and a senior audit manager with Touche Ross. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Grace M. Buckley, the Director of Rental Housing Programs, joined the staff in February 1984. Ms. Buckley has a Masters Degree in Urban Planning from the University of Colorado-Denver, and worked for the City and County of Denver's Community Development Agency for eight years prior to joining the Authority. Before assuming her present duties at the Authority, Ms. Buckley served as Program Development Officer.

Rodger Hara, the Director of Home Mortgage Programs, joined the staff in April, 1992, as Assistant Director of the Rental Housing Division. Mr. Hara has a Bachelors Degree in business administration from the University of Denver. From 1979 through 1992, Mr. Hara served in various financial and management capacities with certain mortgage banking and other companies. Mr. Hara worked in various capacities for several offices of the U.S. Department of Housing and Urban Development from 1968 through 1978.

Harold E. Jenson, the Director of Information Systems, joined the staff in May 1981. Mr. Jenson is a graduate of the Colorado State University with a degree in Business Administration with an emphasis on information systems and finance. Mr. Jenson also received a Masters of Business Administration degree from the University of Colorado.

Colleen A. Schwarz, the Director of Commercial Programs, joined the staff in January 1986 and has served in various capacities within the Commercial Programs Division, including Assistant Director. Ms. Schwarz has a Masters Degree in Business Administration from Arizona State University Graduate School of Business and a Bachelors Degree in Management with a concentration in accounting and finance from Oakland University in Rochester, Michigan. Ms. Schwarz held various management and financial positions at several large financial institutions and a regional construction company prior to joining the Authority.

Cris A. White, the Director of Asset Management, joined the staff in 1988, where he served in various capacities until January 1996. Mr. White rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business

development executive with an international equipment and real estate lender. Mr. White has a Bachelors Degree in business administration from Regis College.

Programs to Date

The following is a brief summary of the housing and loan programs currently operated by the Authority and the bonds, notes or other obligations which have been issued to date to provide funds for such programs. In support of certain of its lending programs and for other corporate purposes, the Authority has not only issued revenue bonds but has also issued general obligation bonds or pledged its full faith and credit to certain bonds as described below. **This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority, its programs and its financial status. All of the bonds described under this caption (other than the Bonds described in "Multi-Family Financing" under this caption), have been secured separately from, and are not on a parity with, the Bonds. Furthermore, all mortgage loans referred to herein (except the Mortgage Loans described in "Multi-Family Financing" under this caption) secure such other bond issues and are not pledged in any way as security for the Bonds. For a discussion of the specific sources for repayment of the 1998 Series B Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS."**

Multi-Family Financing

Under its Multi-Family Housing Facility Loan Program, the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. The majority of such mortgage loans have been required to be insured by an agency of the United States under an insurance program requiring payment of not less than 99% of the principal amount of each such mortgage loan in the event of a default by the mortgagor. The 1998 Series B Bonds are being issued as part of the Multi-Family Housing Insured Mortgage Loan Program under this Program. The Authority has previously issued nineteen series of its Multi-Family Housing Insured Mortgage Revenue Bonds under this Program in the aggregate principal amount of \$612,715,000, eighteen series of which will be outstanding upon issuance of the 1998 Series B Bonds (not taking into account the principal amount of the 1998 Series B Bonds) in the aggregate principal amount of \$431,985,000 and will be on parity with the 1998 Series B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Outstanding Bonds and Additional Bonds." In connection with certain outstanding series and with certain proceeds of the 1998 Series B Bonds, the Authority has made and expects to make Mortgage Loans insured under Section 542(c). With respect to such Mortgage Loans, while a claim may be made by the mortgagee to the FHA for 100% of the total Mortgage Loan amount, the Authority will be responsible, as a general obligation, to reimburse the FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such Section 542(c) claim. See "DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM - Federal Insurance Programs - Section 542(c) Program." To date, no claim has been filed in connection with any such outstanding Section 542(c) Mortgage Loan.

In addition, under its Multi-Family Housing Facility Loan Program, the Authority has sold to institutional purchasers its Mortgage Revenue Bonds, secured solely by and payable solely from mortgages on certain multi-family projects. The Authority has also acted as a conduit issuer of the Multi-Family Housing Revenue Bonds, the proceeds of which were used to finance various individual mortgage loans for multi-family projects under its Multi-Family Housing Facility Loan Program. Each of these series of Multi-Family Housing Revenue Bonds is supported by a letter of credit or other credit facility. Under its Multi-Family Housing Facility Loan Program, the Authority also has provided loans to finance acquisition by nonprofit 501(c)(3) corporations and public housing authorities of rental housing facilities, including congregate elderly and special needs housing facilities, from the proceeds of its general obligation bonds described below. See "General Obligation Financing" under this caption.

The Authority has also implemented a Rental Acquisition Program (the "RAP Program") under which the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. Projects in the RAP Program are acquired using a combination of the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing secured solely by the acquired projects.

Single-Family Financing

Under its Single-Family Mortgage Program, the Authority may make mortgage loans for single-family residential dwellings (one to four units) directly to individual borrowers or may purchase such mortgage loans from qualified originating lenders. However, under the Authority's current Rules and Regulations and Procedural Guide for its Single-Family Mortgage Program, the Authority generally does not make direct loans and its purchases are limited to mortgage loans on owner-occupied one- or two-unit residences. In connection with its Single-Family Mortgage Program, the Authority has previously issued numerous series of its Single-Family Housing Revenue Bonds, the aggregate principal amount of which outstanding as of March 31, 1998 was \$827,489,778. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds, currently outstanding in the aggregate principal amount of \$14,165,000, are general obligations of the Authority. See "General Obligation Financing" under this caption. **All of these revenue bonds previously issued in connection with the Single-Family Mortgage Program of the Authority are secured separately from and are not on a parity with the 1998 Series B Bonds and are issued and secured under resolutions or indentures of the Authority other than the General Resolution.**

Commercial Financing

In 1985, the Authority implemented its Small Business Project Loan Purchase Program under which it financed project loans to commercial and industrial enterprises of small and moderate size. The Authority has also implemented a Project Loan Participation Purchase (ACCESS) Program under which it has financed participation interests in commercial and

industrial loans by means of certain bonds. The Project Loan Participation Purchase Bonds and Refunding Bonds, outstanding as of March 31, 1998 in the aggregate principal amount of \$30,682,000, constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligation Financing" under this caption.

The Authority has also implemented a Quality Investment Capital ("QIC") and a Quality Agricultural Loan ("QAL") Program under which it finances participation interests in commercial and industrial loans by means of SBA Guaranteed Loan Participation Purchase Bonds. Interests in the QIC loans are guaranteed by the U.S. Small Business Administration and interests in the QAL loans are guaranteed by the Farm Services Agency. As of March 31, 1998, \$20,118,000 of such SBA Guaranteed Loan Participation Purchase Bonds were outstanding. These bonds constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligation Financing" under this caption.

In addition, the Authority has implemented its Rural Development Loan Program, under which it finances project or working capital loans or participations therein for small businesses in rural areas. As of March 31, 1998, the Authority had issued promissory notes payable to the Rural Business - Cooperative Service (formerly the Farmer's Home Administration) in the aggregate principal amount of \$2,050,000 (the "RBCS Notes"), of which \$2,050,000 had been drawn from the Rural Business - Cooperative Service and \$470,377.18 was outstanding. The RBCS Notes constitute general obligations of the Authority payable from unencumbered assets and available income of the Authority. See "General Obligation Financing" under this caption.

In connection with its Special Projects area, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities for corporations. The four series of bonds previously issued by the Authority in connection with its Ventures Program are supported by letters of credit. In addition, the Authority has financed real estate projects for non-profit organizations through its Special Projects area, certain of which have been financed through general obligation bonds of the Authority. See "General Obligation Financing" under this caption.

The Authority has also implemented a loan program for businesses involved in the recycling and waste diversion industries ("RENEW Program"). Funding for the RENEW Program is received from the Colorado Department of Local Affairs. As of March 31, 1998, such loans in the aggregate principal amount of \$4,255,068.59 were outstanding.

The Authority recently introduced its Business and Industry Loan ("B&I") Program that provides funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business - Cooperative Services. As of March 31, 1998, no loans had been funded by the Authority under the B&I Program.

General Obligation Financing

In connection with the refunding of certain of its Single-Family Revenue Bonds, the Authority issued \$3,535,000 of its General Obligation Bonds (1986) Issue A of which the entire amount was outstanding as of March 31, 1998. In addition, under its Multi-Family Housing Facility Loan Program, the Authority had issued nine series of general obligation bonds, four series of which remained outstanding as of March 31, 1998. As of January 30, 1998, general obligation bonds in the aggregate principal amount of \$1,610,000 were issued to finance a loan to the Colorado Municipal League under the Authority's Special Projects area described in "Commercial Financing" under this caption. Each issue of such bonds constitutes a general obligation of the Authority, payable from the unencumbered assets and available income of the Authority.

The Authority has also undertaken, as general obligations, (i) its Project Loan Participation Purchase Bonds and Refunding Bonds, SBA Guaranteed Loan Participation Purchase Bonds and the promissory notes to the Rural-Business Cooperative Service, described above under the caption "Commercial Financing," (ii) various Subordinate Bonds supporting Senior Bonds issued in connection with its Single-Family Mortgage Program, outstanding as of March 31, 1998 in the aggregate principal amount of \$14,165,000 (as described in "Single-Family Financing" under this caption), and (iii) 50% risk in the projects insured by the FHA under Section 542(c) as described in "Multi-Family Financing" under this caption.

The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of \$65,000,000. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of March 31, 1998, \$5,045,000 in borrowings were outstanding under those agreements.

Moody's Investors Service has assigned an "A2" rating to the Authority's ability to repay its long-term general obligation liabilities. The rating has been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward entirely by Moody's if circumstances so warrant.

Litigation

At the time of the delivery of and payment for the 1998 Series B Bonds, the Authority will deliver an opinion of its Director of Legal Operations and legal counsel, James A. Roberts, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 1998 Series B Bonds, or the collection or application of Revenues and assets of the Authority pledged or to be pledged to pay the principal of and interest on the 1998 Series B Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability

of the 1998 Series B Bonds, the Resolutions or the contract for the purchase of the 1998 Series B Bonds.

Financial Statements of the Authority

The financial statements of the Authority as of and for the years ended December 31, 1996 and 1997, included in this Official Statement as Appendix A, have been audited by Ernst & Young LLP, independent auditors, as stated in their report dated March 4, 1998.

DESCRIPTION OF THE MULTI-FAMILY HOUSING INSURED MORTGAGE LOAN PROGRAM

General Description

The Program was authorized by the Board of Directors of the Authority on March 16, 1977 by the adoption of the General Resolution. Pursuant to the Program, the Authority applies the proceeds of Bonds issued under the General Resolution to make or purchase Mortgage Loans for multi-family housing Projects for low- and moderate-income families or to pay Notes or refund Bonds issued for such purposes. Mortgage Loans must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such Mortgage Loan in the event of a default by the Sponsor. Construction advances made with respect to any Project to be financed from the proceeds of the Bonds must be similarly insured. See "Federal Insurance Programs" under this caption. The Authority has heretofore issued nineteen series of Bonds, eighteen series of which will be outstanding upon issuance of the 1998 Series B Bonds (not taking into account the principal amount of the 1998 Series B Bonds) in an aggregate principal amount of \$431,985,000, for the purpose of financing the Projects. See "COLORADO HOUSING AND FINANCE AUTHORITY - Programs to Date - Multi-Family Financing" and "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Outstanding Bonds and Additional Bonds."

Projects financed by the Authority are subject, among other things, to limitations on rentals charged by the Sponsors. Accordingly, each Project must operate at high levels of occupancy to achieve sufficient revenues to repay the Mortgage Loan relating thereto and to pay operating expenses. As described below in greater detail, many of the Projects have to date received some type of federal rent or mortgage subsidy although the 1998B Projects will not receive any such federal assistance. See "THE 1998B PROJECTS - Certain Assumptions Relating to the 1998B Projects" and Appendix C for certain cashflow assumptions and other information concerning the proposed 1998B Projects.

Federal Insurance Programs

Generally

There are various programs under which mortgage loans for families of low and moderate income may be insured. All but two of the Mortgage Loans previously financed have been insured by the FHA under either Section 221(d)(3) or 221(d)(4) of the National Housing Act of 1934, as amended, under Section 223(f) pursuant to Section 207 of the National Housing Act or under Section 542(c) of the Housing and Community Development Act of 1992, as amended. One of the proposed 1998B Mortgage Loans is expected to be insured by the FHA under Section 542(c). See "Section 542(c) Program" under this caption. One 1998B Mortgage Loan (related to the Los Caballeros Apartments project) is expected to be insured by the FHA under Section 221(d)(4) of the National Housing Act of 1934, as amended. However, 1998B Mortgage Loans may be made in connection with 1998B Projects other than the projects described in Appendix C hereto, and such 1998B Mortgage Loans may be insured by the FHA under programs other than as indicated below. All of the Sponsors will be required to enter into a CHFA Regulatory Agreement with respect to the respective 1998B Project as required by regulations of the Authority and the FHA, and the Sponsor of the Los Caballeros Apartments project must also enter into a FHA Regulatory Agreement pursuant to the requirements of Section 221(d)(4). See "THE 1998B PROJECTS - The Regulatory Agreements."

Section 542(c) Program

The Section 542(c) program was instituted in 1995 to provide for insurance of multi-family loans pursuant to risk-sharing agreements between HUD and qualified state or local housing agencies, such as the Authority. The FHA regulations applicable to Section 542(c) insurance are contained in 24 CFR Part 266. Under the Section 542(c) program, housing finance agencies may apply to qualify as a participating "HFA" under the program. The Authority has been so approved and has entered into a Risk-Sharing Agreement dated as of April 26, 1994, as subsequently amended (the "CHFA Risk-Sharing Agreement") with HUD providing, among other matters, that, in the event of a loan default with respect to a loan insured under the Section 542(c) program, the Authority is required to share with HUD in any loss arising as a consequence of the loan default. Under the CHFA Risk-Sharing Agreement, the Authority has assumed broad responsibility for the administration of the Section 542(c) program and has assumed 50% of the risk associated with the Mortgage Loans insured under that program. To date, 36 of the Mortgage Loans made under the General Resolution (in an approximate aggregate principal amount of \$124,402,291 and accounting for 2,973 units) have been insured under the Section 542(c) program. One of the 1998B Mortgage Loans (expected to account for 96 units and to be made with an aggregate principal amount of \$1,628,000) is also expected to be insured under the Section 542(c) program.

Under the Section 542(c) program, HUD assigns to participating HFAs the authority to originate loans to be insured under this program and the responsibility to administer the program within the guidelines of the risk-sharing agreement. The Authority has been

allocated in the CHFA Risk-Sharing Agreement 5,160 units to be originated by the Authority in accordance with this Program.

Applications for mortgage loans to be insured under the Section 542(c) program are submitted to the Authority for consideration. The Authority may approve the underwriting of certain mortgage loans based on the Authority's underwriting standards and loan criteria to the extent the loans relate to certain eligible projects. After acceptance of an application of a loan to be insured, the HFA must perform all review and processing functions except certain limited functions retained by HUD. After the HFA has made all determinations necessary to ensure acceptability of the proposed project and after positive completion of the HUD-retained reviews, the HUD Field Office will issue a firm approval letter. The HFA is responsible for inspection during construction, processing and approving advances of mortgage proceeds during construction, review and approval of cost certification and closing of the Loan.

Insurance by HUD for mortgage loans made under this program is based on certain certifications made by the participating HFA, in this case, the Authority. So long as the HFA is in good standing, and absent fraud or material misrepresentation on the part of the HFA, the FHA Commissioner or designee will endorse the mortgage note for insurance upon presentation by the HFA of the closing docket and required certifications. The HFA may approve a loan that will be insured upon completion of construction of the project or for which periodic advances of mortgage proceeds may be insured.

Section 221(d)(4) Program

Applications for insurance commitments under the FHA's Section 221(d)(4) mortgage insurance program may undergo several processing stages. Processing in connection with newly constructed projects may proceed through Site Appraisal and Market Analysis ("SAMA") and "firm commitment" stages prior to receiving FHA insurance at the time of "initial endorsement" by FHA evidencing its commitment to insure construction advances or to provide insurance upon completion of construction of the project. Commitments in connection with projects which are being substantially rehabilitated may proceed through a feasibility stage, as well as the firm commitment stage. Processing may include the SAMA or feasibility stages or both stages may be bypassed, with direct application for a firm commitment.

After receipt of the firm commitment, the Sponsor proceeds to initial closing of the Mortgage Loan. At the initial closing, the Sponsor executes a standard form of FHA mortgage note evidencing the Mortgage Loan and an FHA standard form of mortgage securing the mortgage note. Concurrently with the execution of the mortgage and mortgage note, FHA initially endorses the mortgage note for mortgage insurance and funds are advanced to provide for initial fees and expenses, including land acquisition costs, title costs, design architect, attorney, inspection and other related fees and expenses.

Construction of the project is required to proceed in accordance with the FHA standard form of building loan agreement. During construction, a licensed inspecting architect hired by the Sponsor and an FHA inspector make periodic inspections to ensure on-site

conformity with FHA-approved plans and specifications. Under the building loan agreement, funds are disbursed on a percentage of completion basis with periodic requisitions for advances of funds.

Each request by the Sponsor for an advance constitutes a representation by the Sponsor that it is not in default under any agreements between itself and the Authority, as mortgagee, in connection with the Mortgage Loan and that it is entitled to receive such advance. Each advance will be insured by FHA upon disbursement in accordance with FHA regulations.

Disbursements to the Sponsor are subject to a 10% retention for construction costs. Final disbursement of the amount retained is made upon receipt by the Authority, as mortgagee, of satisfactory evidence that the project has been completed in accordance with the FHA-approved plans and specifications and has been accepted by FHA and that the Mortgage Loan has been finally endorsed for insurance by FHA. Under certain circumstances, FHA and the Authority, as mortgagee may reduce such retainage prior to final endorsement. Less than the entire amount of the retainage may be released in the event there is a reduction in the amount payable to the contractor or in the event funds are required to be retained by the Authority to pay for construction items which are incomplete at the time of final endorsement.

Disbursements for advances continue for only so long as the Sponsor is not in default under the Mortgage Loan and otherwise complies with the requirements for disbursements.

Prior to final closing and final endorsement, the Sponsor and the contractor must submit cost certifications for FHA approval, which certifications are prepared by independent public accountants. After reviewing such certified costs, FHA determines the amount of the maximum insurable mortgage. In the event that the maximum insurable mortgage amount is less than the amount of the mortgage note at initial endorsement, the mortgage note will be reduced. In the event that the maximum insurable mortgage is in excess of the amount of the note at initial endorsement, the mortgage note may under certain circumstances be increased with the consent of the Authority, as mortgagee.

As the construction of a project nears completion, the Sponsor begins to market those units which are available for occupancy. In certain projects, it may be possible to rent some of the units which have been completed prior to the completion of the entire project. In most projects, however, it is not anticipated that any units will be rented until such time as all or substantially all of the units are completed as determined by FHA. FHA regulations require that the Authority, as mortgagee, procure a certificate of occupancy from appropriate local governing bodies and obtain the necessary multiperil liability insurance policy from the Sponsor prior to the occupancy of any unit in a project.

Final endorsement of the mortgage note occurs only after cost certification is completed. Increases in the maximum insurable amount of the Mortgage Loan approved by FHA and the Authority, as mortgagee, are funded at this time. Amounts remaining to be advanced under the mortgage will be disbursed, contingent upon FHA approval, the receipt of acceptable title insurance endorsements and the fulfillment of certain other obligations of the

Sponsor. FHA and the Authority, as mortgagee review the final closing documents and the mortgage note is finally endorsed upon a determination by the Authority and the FHA that all requirements of final endorsement have been satisfied.

FHA Insurance Claims in the Event of Default

Section 542(c) Program

Under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the applicable regulations, an event of default under a Section 542(c)-insured mortgage exists when the mortgagor fails to make any payment due under the mortgage or fails to perform any covenant under the mortgage (including covenants in the related CHFA Regulatory Agreement). In the event of a default continuing for a period of 30 days and, in the case of a covenant default, if the Authority accelerates the debt and the mortgagor fails to pay the full amount due, the mortgagee (i.e., the Authority so long as it is the mortgagee under the Mortgage Loan) is entitled to receive FHA insurance benefits to the extent described herein and upon compliance with the applicable claims procedures. *The following discussion is qualified in its entirety by reference to the mentioned sections of the Housing and Community Development Act of 1992, as amended, and applicable regulations promulgated thereunder.*

Written notice of a default must be provided to HUD within 10 days after the expiration of the 30-day default period. Unless waived by HUD, such notice must be submitted monthly until the default has been cured or an application for an initial claim payment has been filed. An application for an initial claim payment (or, if appropriate, for partial claim payment) must be filed within 75 days from the date of default and may be filed as early as the first day of the month following the month for which a payment was missed. The date for filing an application for an initial claim payment may be extended by HUD as provided in the applicable regulations.

The initial claim amount is based upon the unpaid principal balance of the Mortgage Loan as of the date of default plus interest at the applicable mortgage note rate from the date of default to the date of the initial claim payment. The interest component of the initial claim amount is, however, subject to curtailment if the Authority does not timely meet the HUD filing requirements. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - The Mortgage Loans - Servicing by the Authority." HUD is required to make an initial claim payment, in cash, equal to the initial claim amount, less any delinquent mortgage insurance premiums and related late charges and interest. **The proceeds of the initial claim payment must be used to retire any bonds or other financing mechanisms securing the Mortgage Loan within 30 days of the initial claim payment, and any excess funds resulting from such retirement or repayment must be returned to HUD within 30 days of such retirement. See "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds."**

Within 30 days of receiving the initial claim payment, the Authority is required to issue to HUD a debenture (the "Authority Debenture"), dated the same date as the initial claim

payment is issued and in an amount equal to the full initial claim amount, less any excess funds returned to HUD as described above. The Authority Debenture will be supported by the full faith and credit of the Authority, will have a term of five years and will bear interest at HUD's published debenture rate as provided in the applicable regulations. Interest on the Authority Debenture will be due and payable annually on the anniversary date of the initial claim payment.

The Authority is required to file an application for final settlement in accordance with applicable HUD procedures not later than 30 days after either (a) sale of the mortgaged property after foreclosure or after acquisition by deed-in-lieu of foreclosure or (b) expiration of the term of the Authority Debenture. At the time of final settlement, the amount of the "total loss," as provided in the applicable regulations, will be shared by HUD and the Authority based upon the respective percentage of risk specified in the applicable mortgage note and addendum to the Risk-Sharing Agreement. The "total loss" is computed by adding to the amounts of the initial claim payment certain items as specified in the regulations (including payments made by the Authority with respect to taxes; special assessments; fire and hazard insurance; preservation, maintenance, operation and repair of the property; sale of the property; and interest paid on the Authority Debenture by the Authority to HUD) and deducting certain items as specified in the regulations (including amounts received by the Authority on account of the mortgage after the default; net income from the mortgaged property after the default; and proceeds from the sale of the Project or the appraised value of the Project, as applicable). If the initial claim payment is less than HUD's share of the total loss, HUD is required to make a final claim payment to the Authority equal to the difference and to return the Authority Debenture for cancellation. If the initial claim payment is more than HUD's share of the total loss, the Authority is required to pay the difference within 30 days of notification by HUD of the amount due, and the Authority Debenture will be considered redeemed upon receipt of the payment.

Section 221(d)(4) Program

The National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing and FHA Regulatory Agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days, the mortgagee (i.e., the Authority so long as it is the mortgagee under the Mortgage Loans) is entitled to receive FHA insurance benefits upon compliance with the applicable claims procedures. *The following discussion is qualified in its entirety by reference to the mentioned sections of the National Housing Act and applicable regulations promulgated thereunder.*

Written notice of such default must be provided to HUD within 30 days after the expiration of a 30-day grace period. An insurance claim must be noted, by notice of intent to file, within 45 days after the 30-day grace period has elapsed, but ordinarily is filed with the notice of default. The notice of intent to file a claim is to be accompanied by an election of remedies. Under FHA regulations, a mortgagee may either assign the Mortgage Loan to the FHA or acquire title to the Project by foreclosure and convey title to the FHA. The assignment

to FHA occurs approximately 30 days after the election of remedies is made, and certain documents are to be delivered to FHA within 45 days from the date of assignment.

Subject to the foregoing, in the event of a default on the Mortgage Loan, the FHA will pay insurance benefits equal to the sum of (i) the unpaid principal amount of the Mortgage Loan computed as of the date of default, (ii) certain eligible payments (such as taxes, insurance, special assessments and water rates) made by the mortgagee with the approval of HUD, for the preservation of the Project, and (iii) interest on the insurance proceeds from the date notice of default is given at the applicable FHA debenture rate (which interest may be limited in the event that certain notices are not given to the FHA within the prescribed time periods). The FHA insurance benefits are reduced, however, by (i) any net income received by the mortgagee from the Project subsequent to the default, (ii) any amounts received by the mortgagee on account of the Mortgage Loan after a default, (iii) amounts held in escrow by the mortgagee for the account of the Sponsor and available to be applied to the outstanding indebtedness under the Mortgage Loan, and (iv) unless the mortgagee forecloses and conveys title to the Project to the FHA, an amount equal to 1% of the unpaid principal balance of the Mortgage Loan. Due to the 30-day grace period before an event of default occurs, FHA insurance benefits do not cover all defaulted interest payments because such proceeds would not include one month's interest on the unpaid principal balance of the 1998B Mortgage Loan.

Furthermore, mortgage insurance benefits under Section 221(d)(4) of the National Housing Act are payable in cash unless the mortgagee files a written request for payment in debentures. If debentures are issued to the mortgagee in payment of the FHA mortgage insurance benefits, they are issued as of the date of default, registered as to principal and interest and mature twenty (20) years from their date of issue. The debentures bear interest at the applicable debenture rate from the date of issue, payable semiannually on January 1 and July 1 of each year. FHA debentures are, however, redeemable at the option of the FHA on any interest payment date upon three-months' prior notice at a price equal to their principal amount plus accrued interest.

Two funds, the Debt Service Reserve Fund and the Mortgage Loan Reserve Fund, will be held under the General Resolution in order to protect against the 1% assignment fee, the loss of one month's interest on the 1998B Mortgage Loan and the expected delay in receiving mortgage insurance benefits. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS."

Payment of mortgage insurance benefits under this program will be conditioned upon the satisfactory performance of certain obligations required pursuant to the insurance program, including maintenance of certain escrow accounts, annual inspections, maintenance of property insurance and maintenance of specified records. See "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Conditions to Payment of FHA Insurance."

Federal Assistance Programs

Projects are not required by the General Resolution to be the subject of federal assistance payments. However, the 1998B Projects and most of the Projects heretofore financed

under the General Resolution have been assisted by HUD under its Section 8 Subsidy Program for New Construction, Substantial Rehabilitation or Moderate Rehabilitation and the average expiration of the housing assistance payment contracts relating to such subsidized Projects is in the year 2002. See Appendix C hereto with respect to the 1998B Projects and "CERTAIN INFORMATION ABOUT THE OUTSTANDING MORTGAGE LOANS AND PROJECTS" attached as Appendix F hereto. In October 1997, the Multifamily Assisted Housing Reform and Affordability Act of 1997 was signed into law, as described in "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Expiration of HAP Contracts." HUD has not to date provided any guidance related to its implementation. **Implementation of this new legislation and future changes to the HUD Section 8 Subsidy Program currently under discussion by Congress and by HUD could have an adverse impact on the Projects financed under the General Resolution which are subsidized under the Section 8 Subsidy Program.** See "CERTAIN CONSIDERATIONS FOR BONDHOLDERS - Early Redemption." Attached hereto as Appendix E is a summary of the Section 8 Subsidy Program which is relevant in considering the Mortgage Loans pledged under the General Resolution relating to the subsidized Projects. *It does not purport to be comprehensive or definitive, and it is qualified in its entirety by the statutes, regulations and agreements thereafter referred to.*

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. For convenience of reference, the number of the relevant section of the General Resolution appears following the respective captions in this summary. Whenever particular provisions of the General Resolution are referred to, such provisions are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. **Reference is made to the General Resolution for a full and complete statement of its provisions.** See Appendix B for the definition of certain terms used in the Resolutions.

Resolution Constitutes Contract (Section 1.03)

The provisions of the General Resolution constitute a contract between the Authority, the Trustee and the Holders of Outstanding Bonds and coupons, and the provisions, covenants and agreements to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the Holders of any and all such Bonds and coupons.

Conditions Precedent to Authentication and Delivery of a Series of Bonds (Section 2.16)

A Series of Bonds is to be authenticated by the Trustee and delivered to or upon the order of the Authority only upon delivery to the Trustee of:

- (a) a certified copy of the General Resolution and the applicable Series Resolution except that a certified copy of the General Resolution need only be delivered with respect to authentication of the initial Series of Bonds;

(b) a written order of the Authority describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers and stating the purchase price of such Bonds;

(c) a certificate demonstrating that the Mortgage Repayments on Mortgage Loans expected to be made or purchased with the proceeds of such Series, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the aggregate Debt Service and estimated Program Expenses for such Bond Year;

(d) except with respect to the initial Series of Bonds, a certificate to the effect that the Authority is not in violation of the provision of the General Resolution which requires the Authority to charge and collect amounts sufficient to pay in each Bond Year (i) the Aggregate Debt Service for such Bond Year, (ii) Program Expenses during such Bond Year and (iii) amounts required during such Bond Year to be paid into the Debt Service Reserve Fund from Revenues;

(e) a certificate to the effect that the Authority is not in default under the General Resolution;

(f) an opinion of Bond Counsel to the effect that, among other things, the Bonds of such Series are valid and binding special obligations of the Authority and enforceable in accordance with their terms and the terms of the General Resolution, subject to State and federal laws affecting the enforcement of creditors' rights;

(g) the amount, if any, necessary for deposit in the Debt Service Reserve Fund so that moneys on deposit in such Fund after the issuance of such Series at least equal the Debt Service Reserve Fund Requirement; and

(h) such further documents and moneys as may be required by the provisions of the Series Resolution authorizing the issuance of such Bonds.

Funding of the Mortgage Loan Reserve Fund is not required by the General Resolution.

Issuance of Refunding Bonds (Section 2.17)

Bonds of one or more Series may be issued to refund Outstanding Bonds of one or more Series only upon receipt by the Trustee of (i) items referred to in clauses (a), (b), (d), (e) and (f) of the preceding paragraph, (ii) a certificate demonstrating that the Aggregate Debt Service with respect to the Outstanding Bonds of all Series immediately after delivery of such Refunding Bonds is not greater than the Aggregate Debt Service with respect to the Outstanding Bonds of all Series immediately prior thereto in the current and each future Bond Year and (iii) certain other certificates and instructions. In addition, there must be deposited with the Trustee

either (A) moneys in an amount sufficient to pay the principal or Redemption Price of the Bonds to be refunded, together with accrued interest thereon to the maturity date or redemption date, which moneys shall be held by the Trustee or by one or more Paying Agents in a separate account irrevocably in trust for the Holders of the Bonds and coupons being refunded, or (B) Government Obligations, the principal and interest on which when due, together with any moneys deposited with the Trustee or Paying Agents, will be sufficient to pay the principal or Redemption Price of and interest due or to become due on the Bonds to be refunded. Government Obligations include direct obligations of or obligations guaranteed by the United States; public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; and temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States.

Application of Bond Proceeds and Other Moneys (Sections 4.01 and 4.02)

The proceeds of sale of a Series of Bonds are to be deposited as follows:

- (a) the amount, if any, received as accrued interest is to be deposited in the Debt Service Fund; and
- (b) the amount to be deposited in each Fund and Account pursuant to the Series Resolution is to be deposited therein.

The amount, if any, deposited as a premium above the aggregate principal amount of the Bonds of any Series or as the proceeds attributable to Refunding Bonds is to be applied as provided in the Series Resolution.

Funds Established by the General Resolution (Section 5.01)

The General Resolution establishes or provides for the establishment of the following Funds, all of which are to be held by the Trustee:

- (a) Program Fund,
- (b) Revenue Fund,
- (c) Debt Service Fund,
- (d) Debt Service Reserve Fund,
- (e) Mortgage Loan Reserve Fund and
- (f) Redemption Fund.

Program Fund (Section 5.02)

Each Series Resolution is to specify the principal amount of each Mortgage Loan reasonably expected to be acquired (through the purchase or making of such Mortgage Loan or the payment of Notes the proceeds of which were used to purchase or make such Mortgage Loan) with the proceeds of the Series of Bonds authorized by such Series Resolution.

There is to be deposited in the Program Fund the amount of Bond proceeds specified in the related Series Resolution. Except with respect to moneys, if any, deposited in a Costs of Issuance Account or a Capitalized Interest Account and except as otherwise provided in the General Resolution, moneys in the Program Fund are to be used solely to Acquire the Mortgage Loans identified in a Series Resolution to be acquired with the proceeds of the Series of Bonds authorized thereby.

Moneys may be withdrawn from the Program Fund to pay construction advances on Mortgage Loans at the direction of the Authority. At regular intervals, the Authority is to certify to the Trustee as to the use of moneys so withdrawn. No moneys withdrawn from the Program Fund may be expended to pay Project Costs unless the Authority has previously acquired a Mortgage on such Project and the Mortgage Loan with respect to such Project is not subject to any lien prior to the lien and pledge of the General Resolution.

The Authority covenants that it will not make a construction advance with respect to a Project unless the amount of such advance (i) shall at the time it is made be insured or guaranteed by an agency of the United States and (ii) together with all other amounts previously applied from the proceeds of the Bonds to such Project is less than the anticipated Project Cost of such Project (including any Overrun previously authorized).

Moneys may be withdrawn from the Program Fund and applied by the Authority to the payment of any Overrun on any Project (irrespective of the Series of Bonds from which such Project was originally expected to be financed), subject to the certification and approval procedure set forth in the General Resolution.

Moneys in the Program Fund may be withdrawn and used to pay or defease Notes, provided that, upon such payment or provision therefor, the Authority Acquires a Mortgage on the Project with respect to which such Notes were issued and the Mortgage Loan with respect to such Project is not subject to any lien prior to the lien and pledge of the General Resolution.

The Authority may by Supplemental Resolution determine not to finance one or more Projects originally identified in a Series Resolution. Moneys deposited in the Program Fund from a Series of Bonds to finance a Project which the Authority subsequently determines not to finance are to be held by the Trustee in a special account and applied, as the Authority directs, only to (i) substitute one or more other Projects, provided that (A) the Mortgage Loan or Mortgage Loans on any such substituted Project or Projects have a yield at least equal to the yield on the Mortgage Loan on the originally identified Project and (B) the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with

the proceeds of such Series of Bonds, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year or (ii) pay Overruns on any Project (irrespective of the Series of Bonds from which such Project was originally expected to be financed), provided that the Authority certifies to the effect set forth in (B) above. In the event that there are moneys remaining in any such special account three years (or such shorter period as may be specified in the related Series Resolution) following the date of issuance of the related Series of Bonds, such moneys are to be transferred to the Redemption Fund and used to redeem Bonds of such Series, except to the extent that the Authority certifies that any of such moneys are required to pay anticipated Project Costs of one or more projects financed from such special account.

Within 90 days after completion of all Projects for which proceeds of a Series of Bonds have been deposited in the Program Fund pursuant to a Series Resolution (including substituted Projects but excluding any Projects eliminated by Supplemental Resolution), the Authority is to direct that any such Bond proceeds remaining in the Program Fund shall be (i) applied to the making or purchasing of additional Mortgage Loans or (ii) transferred to the Redemption Fund and used to redeem Bonds of such Series. Moneys remaining in the Program Fund from a Series of Bonds which the Authority directs to be applied to the making or purchasing of additional Mortgage Loans are to be held by the Trustee in a special account and applied to make or purchase such additional Mortgage Loans, provided that no such additional Mortgage Loan shall be made or purchased unless such additional Mortgage Loan is made or purchased within 18 months from the Authority's direction, such additional Mortgage Loan has a yield at least equal to the yield on the other Mortgage Loans made or purchased with the proceeds of such Series of Bonds and the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of such Series of Bonds, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year. In the event that there are moneys remaining in any such special account 18 months following the date of the Authority's direction, such moneys are to be transferred to the Redemption Fund and used to redeem Bonds of such Series, except to the extent that the Authority certifies that any of such moneys are required to pay anticipated Project Costs of one or more Projects financed from such special account.

Costs of Issuance Accounts (Section 5.03)

A Series Resolution may create a Costs of Issuance Account within the Program Fund. Moneys in a Series Costs of Issuance Account are to be used to pay Costs of Issuance of the related Series of Bonds, and any excess moneys remaining therein after payment of all Costs of Issuance shall be transferred to the Principal Account in the Revenue Fund or to the Program Fund.

Capitalized Interest Accounts (Section 5.04)

A Series Resolution may create a Capitalized Interest Account within the Program Fund. On or before each Bond Payment Date, the Trustee is to determine the amounts which have been deposited in the Revenue Fund since the preceding Bond Payment Date, if any, from the investment of the proceeds of such Series of Bonds in Mortgage Loans Investment Securities or such other obligations as are permitted under the General Resolution. To the extent, if any, that the interest becoming due and payable on such Bond Payment Date on the Bonds of such Series exceeds such amounts deposited in the Revenue Fund, the Trustee is to withdraw the excess amount from the Capitalized Interest Account and deposit such amount in the Debt Service Fund. Any excess moneys in a Capitalized Interest Account established with respect to a Series of Bonds on the day following the Bond Payment Date next succeeding completion of all Projects to be financed with the proceeds of such Series are to be transferred to the Principal Account in the Revenue Fund or to the Program Fund.

Revenue Fund (Section 5.05)

All Revenues received by the Authority are to be deposited in the Revenue Fund, except (i) Prepayments, (ii) origination fees (if any) charged by the Authority which are to be retained by the Authority free and clear of any lien or pledge created by the Resolutions, and (iii) fees for the servicing of Mortgage Loans, which are to be retained by the Authority (with respect to Mortgage Loans serviced by the Authority) or by their Servicers thereof free and clear of any lien or pledge created by the Resolutions.

Within the Revenue Fund there is established an Acquired Project Account and within such account an Acquired Project subaccount for each Project acquired by the Authority in connection with the enforcement of its rights under a defaulted Mortgage Loan (the "Acquired Project") into which is to be deposited all Acquired Project Income. Moneys in each Acquired Project Account subaccount are to be applied as follows:

(a) an amount equal to the interest which would have been payable on the Mortgage Loan with respect to each such Acquired Project shall be withdrawn on or before each Bond Payment Date and deposited in the Revenue Fund;

(b) an amount equal to the principal payments which would have been payable on the Mortgage Loan with respect to each such Acquired Project shall be withdrawn on or before each October 1 and deposited in the Principal Account; and

(c) the balance to the payment of Acquired Project Expenses of the related Acquired Project.

Moneys remaining in any Acquired Project Account subaccount at the end of a Fiscal Year which the Authority certifies as not being required to meet future Acquired Project Expenses of the related Acquired Project are to be released from such subaccount and held in the Revenue Fund for allocation as described below.

Within the Revenue Fund there is also established a Principal Account into which there is to be deposited that portion, if any, of each Mortgage Repayment deposited in the Revenue Fund which the Trustee determines constitutes the repayment of the principal of such Mortgage Loan. Moneys in the Principal Account shall be withdrawn by the Trustee and deposited in the Debt Service Fund on or before each October 1 in an amount equal to the Principal Installments, if any, becoming due and payable on such date on the Program Bonds of each Series (those Bonds of such Series in an aggregate principal amount equal to the aggregate principal amount of Mortgage Loans expected on the date of issuance of such Series to be made or purchased with the proceeds of such Series).

Allocation of Moneys in the Revenue Fund (Section 5.06)

On or before each April 1, moneys in the Revenue Fund are to be transferred by the Trustee to the following Funds and Accounts in the following order of priority:

(a) Debt Service Fund. An amount which, together with the amount therein (after giving effect to any transfer from the Capitalized Interest Account), will equal the interest due and payable on such April 1 on the Outstanding Bonds of all Series;

(b) To the Authority. An amount equal to one-half of the total Program Expenses specified in the Annual Budget for that Fiscal Year to be used to pay Program Expenses and to be held by the Authority free and clear of any lien or pledge created by the General Resolution (under the Series Resolution, amounts necessary to satisfy the Authority's rebate obligation under Section 148(f) of the Tax Code, are to be transferred from the Revenue Fund to the 1998 Series B Rebate Account as Program Expenses, without regard to the amounts specified in any Annual Budget);

(c) Principal Account. The amount of any withdrawal from such Account to make any Debt Service Payment to the extent not previously restored; and

(d) Debt Service Reserve Fund. The greater of (i) the amount withdrawn, if any, from the Debt Service Reserve Fund to make any Debt Service Payment during the previous 12-month period to the extent not previously restored or (ii) the amount necessary to make the balance in such Fund equal to the Debt Service Reserve Fund Requirement.

On or before each October 1, moneys in the Revenue Fund shall be transferred and applied by the Trustee in the following order of priority:

(a) Debt Service Fund. An amount which, together with the amount therein (after giving affect to any transfers from the Capitalized Interest Account and the Principal Account), will equal the sum of (i) interest due and payable on

such October 1 on the Outstanding Bonds of all Series plus (ii) Principal Installments due on all such Bonds on such October 1;

(b) To the Authority. An amount equal to one-half of the total Program Expenses specified in the Annual Budget for that Fiscal Year to be used to pay Program Expenses and be held by the Authority free and clear of any lien or pledge created by the General Resolution;

(c) Principal Account. The amount of any withdrawal from such Fund to make any Debt Service Payment to the extent not previously restored;

(d) Debt Service Reserve Fund. The greater of (i) the amount withdrawn, if any, from the Debt Service Reserve Fund to make any Debt Service Payment during the previous 12-month period to the extent not previously restored or (ii) the amount necessary to make the balance in such Fund equal to the Debt Service Reserve Fund Requirement;

(e) Any Other Fund or Account. The amount, if any, previously withdrawn therefrom to make a Debt Service Payment to the extent not previously restored; and

(f) To the Authority. The balance of moneys in the Revenue Fund to the extent not held in a specific Account therein to be used for any lawful purpose free and clear of any lien or pledge created by the General Resolution.

Debt Service Fund (Section 5.07)

The Trustee is to pay out of the Debt Service Fund to the respective Paying Agents, on or before each Bond Payment Date, (i) the amount required for the payment of all interest payable on the Outstanding Bonds on such date and (ii) the amount, if any, required for the payment of the Principal Installments due on the Outstanding Bonds on such date.

Amounts in the Debt Service Fund with respect to any Sinking Fund Installment are to be applied by the Trustee to the redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was provided in an amount equal to such Sinking Fund Installment.

Debt Service Reserve Fund (Section 5.08)

If on any Bond Payment Date the amount in the Debt Service Fund (after giving effect to any transfers from the Capitalized Interest Account, the Principal Account, the Redemption Fund and the Mortgage Loan Reserve Fund) is insufficient to make the Debt Service Payments described above, the Trustee is to transfer to the Debt Service Fund moneys in the Debt Service Reserve Fund to pay (i) interest and (ii) Principal Installments, if any, then due on any Outstanding Bonds, provided that amounts on deposit in the Debt Service Reserve Fund are

to be segregated and used for the purposes described in "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 SERIES B BONDS - Debt Service Reserve Fund."

Moneys in the Debt Service Fund allocable to the Debt Service Reserve Fund Requirement for any Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein will not be available or used to make Debt Service Payments on any Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. Qualified Financial Instruments allocable to the Debt Service Reserve Fund Requirement for any Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein shall not be available or used to make Debt Service Payments on any Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. In order to assure compliance with the requirements of the preceding sentence, the Trustee will segregate and separately account for (i) moneys allocable to the Debt Service Reserve Fund Requirement for all Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein, and (ii) Qualified Financial Instruments allocable to the Debt Service Reserve Fund Requirement for all Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. Moneys in the Revenue Fund available to restore the balance of the Debt Service Reserve Fund will be distributed for such purpose among all Series of Bonds on a pro rata basis (based on the Debt Service Payments due on the then current Debt Service Payment date) without regard to whether such Bonds are described in clause (i) or clause (ii) of the preceding sentence, other than with respect to a Series of Bonds for which the reimbursement obligation with respect to the Qualified Financial Instrument must be satisfied from moneys other than moneys held under the Resolutions. If any Qualified Financial Instrument in the Debt Service Reserve Fund for any Series of Bonds is used for the purposes described in the Resolutions, each Qualified Financial Instrument therein will be used pro rata, based on the available amount of each Qualified Financial Instrument. The Authority may fund the Debt Service Reserve Fund Requirement with respect to the 1998 Series B Bonds with the deposit of a Qualified Financial Instrument.

If at any time the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement and no Event of Default has occurred and be continuing, the Trustee is to transfer such excess amount or any portion thereof to the Redemption Fund if so requested by the Authority.

Redemption Fund (Section 5.09)

There is created a Redemption Fund into which moneys may be deposited from (i) proceeds received by the Authority on account of (A) damage, destruction or condemnation of a Project or part thereof to the extent such proceeds are not applied to restore or replace such Project or to make or purchase additional Mortgage Loans, (B) certain measures taken by the

Authority subsequent to a default on a Mortgage Loan to the extent such proceeds are not applied to make or purchase additional Mortgage Loans and (C) prepayment of a Mortgage Loan to the extent such proceeds are not used to make or purchase additional Mortgage Loans and (ii) (A) any moneys remaining in the Program Fund three years (or such shorter period as may be specified in the related Series Resolution) after the date of issuance of the related Series of Bonds to the extent the Authority has previously determined not to finance one or more Projects originally identified in the related Series Resolution and such moneys are not applied to make or purchase additional Mortgage Loans or to pay Overruns and (B) any moneys remaining in the Program Fund allowing completion of all Projects to be financed with any particular Series of Bonds to the extent such moneys are not applied to make or purchase additional Mortgage Loans. The Trustee shall establish a special subaccount within the Redemption Fund in respect of each Series of Bonds and shall credit moneys deposited in the Redemption Fund described above to the applicable subaccount. Moneys in a subaccount shall be used to purchase or redeem Bonds of the Series in respect of which the subaccount was established. With respect to the 1998 Series B Bonds, see "DESCRIPTION OF THE 1998 SERIES B BONDS - Redemption of the 1998 Series B Bonds."

Moneys deposited in the Redemption Fund otherwise than as described above and as to which the General Resolution does not direct the application may be applied by the Trustee to the purchase or redemption of Bonds as selected by the Authority subject to the redemption provisions of the Bonds.

Mortgage Loan Reserve Fund (Section 5.15)

If at any time moneys in the Program Fund are transferred to the Redemption Fund as a result of the failure of the Authority to Acquire Mortgage Loans, the Trustee is to withdraw from the Mortgage Loan Reserve Fund and deposit in the applicable series subaccount in the Redemption Fund any amount requested in an Authority Request which does not exceed the Allocable Portion of the Non-Asset Bonds, calculated as of the date of such request.

If at any time moneys received as Prepayments are transferred to the Redemption Fund, the Trustee is to withdraw from the Mortgage Loan Reserve Fund and deposit in the applicable series subaccount within the Redemption Fund any amount requested in an Authority Request which does not exceed the sum of (i) the Allocable Portion of the Non-Asset Bonds, calculated as of the date of such request, and (ii) except as in the case of a Prepayment representing a voluntary prepayment made by the Mortgagor or moneys secured as a consequence of a default on a Mortgage Loan as to which moneys were theretofore disbursed to the Authority, an amount equal to 1% of the amount so transferred.

For the purposes of this section, "Allocable Portion of the Non-Asset Bonds" means, as of any date of calculation, an amount computed by multiplying the sum of (i) the Costs of Issuance, plus (ii) the Underwriter's discount, plus (iii) the original issue discount, if any, plus (iv) the amount, if any, deposited in the Mortgage Loan Reserve Fund, plus (v) the amount, if any, authorized to be paid to the Authority for Program Expenses, plus (vi) the amount, if any, deposited in a Capitalized Interest Account, all as shown in the final Official Statement of the

Authority used in connection with the sale of the Bonds to be so redeemed, or in a certificate of the Authority, by a fraction the numerator of which is the amount so transferred to the Redemption Fund (rounded, if necessary, to the next lower \$5,000) and the denominator of which is the aggregate principal balance of the Bonds of such Series then Outstanding.

In the event that the Authority shall notify the Trustee of a default on a Mortgage Loan, the Trustee shall disburse from the Mortgage Loan Reserve Fund to the Authority or to its order amounts not exceeding in the aggregate 1% of the principal amount of such Mortgage Loan which are certified by an Authorized Officer as required in connection with the protection and enforcement of the Authority's rights with respect to such Mortgage Loan.

As of the first day of each Bond Year, the Trustee is to calculate the amount in the Mortgage Loan Reserve Fund and, if no Event of Default hereunder has occurred and is continuing, the Trustee, upon receipt of an Authority Request, shall transfer the amount, if any, in excess of the Mortgage Loan Reserve Fund Requirement (or any portion thereof so requested) to the Revenue Fund.

Withdrawals From Funds To Prevent Defaults (Section 5.10)

If on any Bond Payment Date moneys in the Debt Service Fund are less than the amount of the Debt Service Payment due on such Date (before applying moneys in the Debt Service Reserve Fund), the Trustee is to transfer from the following Funds in the following order of priority the amount of such deficit from any moneys available for the purpose of making such Debt Service Payment and not required for the purposes of such Funds:

- (a) Capitalized Interest Account;
- (b) Principal Account;
- (c) Mortgage Loan Reserve Fund; and
- (d) Redemption Fund.

If on any Payment Date moneys in the Debt Service Fund are less than the amount of the Debt Service Payment due on such date (after making any of the above-described transfers and after applying moneys in the Debt Service Reserve Fund), the Trustee is to transfer from the following Funds in the following order of priority the amount of such deficit:

- (a) Revenue Fund; and
- (b) Program Fund.

In the event of any such transfer from any of the above Funds (and any Account within such Funds) to the Debt Service Fund, there is to be deposited in such Funds (and any Account within such Funds) an amount equal to the amount transferred from the next moneys deposited in the Revenue Fund.

Prepayments (Section 5.11)

Prepayments, except as described in the next succeeding paragraph, are to be deposited in the Program Fund and shall be (i) used to make or purchase additional Mortgage Loans, provided that no such additional Mortgage Loan shall be made or purchased unless the yield on such additional Mortgage Loan at least equals the yield on the Mortgage Loan so prepaid and the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of the Series of Bonds used to make or purchase the Mortgage Loan in respect of which such Prepayments were received, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year or (ii) transferred to the applicable series subaccount within the Redemption Fund. Any Prepayments not used as provided in (i) above within 18 months shall be transferred as described in (ii) above, except to the extent that the Authority certifies that such Prepayments are required to pay anticipated Project Costs of one or more additional Properties financed from such Prepayment. Prepayments include proceeds received by the Authority on account of (i) damage, destruction or condemnation of a Project or part thereof, (ii) certain measures taken by the Authority subsequent to a default on a Mortgage Loan and (iii) the prepayment of a Mortgage Loan.

Prepayments received as a consequence of damage, destruction, or condemnation of a Project may be used, at the option of the Authority, to repair or restore such Project. The portions of Prepayments representing any penalty, fee, premium or additional charge may be transferred to the Revenue Fund.

Deposits and Investment of Funds (Sections 5.12 and 5.13)

All moneys held by the Trustee shall be continuously and fully secured for the benefit of the Authority and the Bondholders by Investment Securities of a market value at all times at least equal to the amount of the deposit so held. Investment Securities include direct obligations of or obligations guaranteed by the United States; bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Federal Land Banks, the Federal National Mortgage Association, the Government National Mortgage Association, Federal Financing Bank or the Small Business Administration; public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States; and interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements which, if not fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation shall be secured by obligations which would otherwise constitute Investment Securities. However, it is not necessary for the Trustee to give such security for any moneys invested in Investment Securities.

Moneys in all Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Securities which mature or may be redeemed at the option of the holder not later than the times when such moneys shall be needed for payments to be made from such Funds or Accounts. Investments are to be made by the Trustee in accordance with instructions received from the authority and may be made by the Trustee through its own bond department. In lieu of making investments in Investment Securities, the Trustee shall, upon direction by the Authority, deposit moneys in any Fund or Account in interest-bearing time deposits or shall make other similar banking arrangements provided all moneys in such deposits or arrangements are continuously and fully secured by Investment Securities of a market value at all times at least equal to the amount of the deposit or arrangement and moneys so placed are available for use at the times when such moneys shall be needed for payments to be made from such Fund or Account for which such deposit or arrangement was made. However, moneys in the Program Fund shall not be so deposited unless the interest to be earned thereon will at least equal the interest, income or increment that would be earned by the investment of such moneys in Investment Securities of similar maturity at then current market prices.

The interest, income or increment to all Funds and Accounts due to the investment thereof shall be transferred to the Revenue Fund, except that such income, interest or increment shall be retained in the Debt Service Reserve Fund unless, after giving effect to the transfer, the amount therein at least equals the Debt Service Reserve Fund Requirement.

Creation of Liens (Section 6.13)

The Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Revenues or of the moneys, securities, rights or interests pledged or held or set aside by the Authority or by any Fiduciary under the General Resolution, except that the Authority may issue evidences of indebtedness secured by a pledge of the Revenues to be derived after the pledge of the General Resolution has been discharged and satisfied.

Covenants Relating to Mortgage Loans (Sections 6.05, 6.06, 6.07, 6.08 and 6.10)

The Authority has covenanted to make or purchase Mortgage Loans only in accordance with provisions of the Act, the General Resolution, the applicable Series Resolution and any applicable regulations of the Authority.

The Authority shall at all times charge and collect Mortgage Repayments and other amounts with respect to Mortgage Loans which, together with any other moneys estimated to be available therefor, are at least sufficient in each Bond Year for the payment of the sum of:

- (a) the Aggregate Debt Service for such Bond Year;
- (b) Program Expenses during such Bond Year, other than those paid from proceeds of Bonds or from other moneys available to the Authority; and

(c) the amount, if any, to be paid during such Bond Year from Revenues into the Debt Service Reserve Fund.

The Authority has covenanted not to sell any Mortgage Loan, except in the event of a default on such Mortgage Loan by the Sponsor, unless (i) the amount to be realized on such sale at least equals the unpaid principal balance of such Mortgage Loan, (ii) at the time of sale the Authority has a binding commitment to make or purchase a different Mortgage Loan to be sold and (iii) the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of the Series of Bonds used to make or purchase the Mortgage Loan to be sold, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceeds in each such Bond Year the Aggregate Debt Service and estimated Program Expense for such Bond Year.

The Authority has covenanted not to modify any Mortgage Loan or any Mortgage or any note or other obligation evidencing or securing any Mortgage Loan which will in any manner impair or materially adversely affect the rights or security of the Bondholders. The Authority shall service, or cause to be serviced, each Mortgage Loan in accordance with prudent business practices and all applicable regulations of the insurer of such Mortgage Loan and shall neither take or fail to take any action which would result in the loss, reduction or suspension of any Housing Subsidy Payments with respect to any Project.

To the extent permitted by the insurer of any Mortgage Loan, the Authority shall require that any prepayment of a Mortgage Loan shall be required to be at least sufficient to provide for the payment by the Authority of (i) the Redemption Price on the next redemption date of Bonds of the related Series in a principal amount equal to the amount of such prepaid Mortgage Loan, (ii) interest to accrue on said principal amount to such redemption date, (iii) a proportionate amount of the Costs of Issuance and capitalized interest on the related Series of Bonds and (iv) the costs and expenses of the Authority in effecting such redemption.

The Authority has covenanted to diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of Mortgage Loans and the preservation and protection of the rights and privileges of the Authority and the Bondholders thereunder. Upon the happening of an event of default under a Mortgage Loan, the Authority shall take all reasonable steps to recover the proceeds of the insurance on such Mortgage and shall not request the payment of such proceeds in debentures. Whenever it shall be necessary or advisable in order to protect and enforce its rights under a Mortgage Loan, the Authority, with the consent of the insurer of such Mortgage Loan, shall commence foreclosure proceeding and, in the protection and enforcement of its rights, shall bid for and, if necessary, purchase the Project securing such Mortgage Loan or, as an alternative to foreclosure proceedings, take such other action as may be appropriate or necessary to acquire the Project. For such period as the Authority shall be in possession of the Project securing such Mortgage Loan, the Authority shall operate and administer such Project in the manner required of the Sponsor.

Certain Other Covenants and Series Resolution (Sections 6.12, 6.14 and 6.15 and Sections 4.01, 4.02 and 4.03)

Creation and Use of 1998 Series B Rebate Account

There is created pursuant to the Series Resolution a special and a separate subaccount within the Revenue Fund to be held by the Authority and to be known as the "1998 Series B Rebate Account" (the "1998 Series B Rebate Account"). There shall be transferred in accordance with the General Resolution (but without regard to the amount of Program Expenses specified in the Annual Budget for any Fiscal Year) into the 1998 Series B Rebate Account as Program Expenses such amounts as shall be required to be deposited therein to meet the Authority's obligations under the covenant described below under "Tax Covenant." Amounts in the 1998 Series B Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the 1998 Series B Rebate Account in excess of those required to be on deposit therein as described below under "Tax Covenant" and Section 148(f) of the Tax Code may be withdrawn therefrom and deposited into the Revenue Fund.

Tax Covenant

The Authority covenants for the benefit of the owners of the 1998 Series B-2 Bonds that it will not take any action or omit to take any action with respect to the 1998 Series B-2 Bonds, the proceeds thereof, any other funds of the Authority or any facilities financed with the proceeds of the 1998 Series B-2 Bonds, if such action or omission would cause the interest on the 1998 Series B-2 Bonds, except for interest on any 1998 Series B-2 Bond for any period during which it is held by a "substantial user" as of facilities financed with the 1998 Series B-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Tax Code, to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or would subject the Authority to any penalties under Section 148 of the Tax Code. The Authority shall forgive or forebear collection of such amounts payable on Mortgage Loans as shall be required to comply with the foregoing covenants, and the Chairman, the Chairman pro tem and the Executive Director of the Authority and each of them without the other is authorized under the Series Resolution to enter into any agreement or other arrangement as shall be necessary or convenient in connection therewith. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of the 1998 Series B-2 Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Defaults and Remedies (Sections 7.02, 7.03, 7.04, 7.09 and 7.11)

Each of the following events constitutes an "Event of Default":

- (a) default shall be made in the payment of any Principal Installment or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) default shall be made in the payment of any installment of interest on any Bond when and as the same shall become due and payable, and such default shall continue for a period of 60 days;

(c) default shall be made by the Authority in the performance or observance of any other covenant, agreement or condition on its part contained in the General Resolution or in the Bonds, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than 10% in principal amount of the Bonds Outstanding; or

(d) the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States or of the State.

Under the occurrence of an Event of Default the Trustee may, and upon the written request of the Holders of not less than 25% in principal amount of the Bonds Outstanding shall, give 30 days' notice in writing to the Authority and the Governor and the Attorney General of the State of its intention to declare all Bonds Outstanding due and payable immediately. After such 30-day period the Trustee may, and upon written request of such Holders shall, declare all Bonds Outstanding, plus all interest accrued therein and which will accrue to the date of payment, immediately due and payable by notice to the Authority. If all Events of Default known to the Trustee shall have been remedied to the satisfaction of the Trustee prior to entry of final judgment or decree, the Trustee may annul such declaration and its consequences.

(i) enforcement of the right of Bondholders to collect and enforce the payment of principal and interest due or becoming due on Mortgage Loans and collect and enforce any rights in respect of the Mortgages and to require the Authority to carry out its duties under the terms of the General Resolution and the Act;

(ii) suit upon the Bonds;

(iii) civil action to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;

(iv) civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(v) enforcement of any other rights of Bondholders conferred by law or the General Resolution.

The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any proceeding instituted by it under the General Resolution or before the completion of the enforcement of any other remedy under the

General Resolution. Any waiver by the Trustee of an Event of Default shall not extend to any subsequent or other Event of Default or impair any right consequent thereon.

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

It is further provided that no Bondholder shall have any right to institute any action unless such Holder shall have given to the Trustee written notice of the Event of Default and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee and shall have afforded the Trustee a reasonable opportunity to proceed to institute action and unless, also, there shall have been offered to the Trustee reasonable security and indemnity, and the Trustee shall have refused or neglected to comply with such request within 60 days after receipt.

Successors to Trustee (Section 8.11)

As a result of the merger between First Interstate Bank of Denver, N.A., and Wells Fargo Bank, and the subsequent sale by Wells Fargo Bank of its corporate trust department to The Bank of New York, The Bank of New York became the initial successor Trustee by the terms of the General Resolution without the execution or filing of any paper or the performance of any further act. Norwest Bank Colorado, National Association, has since become successor to The Bank of New York under the terms of the General Resolution and will act as Trustee until any successor thereto becomes successor trustee, provided that such successor company must be a bank or trust company organized under the laws of any state of the United States or a national banking association, and must be authorized by law to perform all the duties imposed upon it by the General Resolution.

Modifications of Resolutions and Outstanding Bonds (Sections 9.01, 9.02, 9.03, 9.04, 10.01, 10.02, 10.03 and 10.04)

There are provided procedures whereby the Authority may amend the General Resolution or a Series Resolution by adoption of a Supplemental Resolution. Amendments that may be made without consent of Bondholders must be for such purposes as providing for the issuance of a Series of Bonds, further securing the Bonds, imposing further limitations on or surrendering rights of the Authority, curing ambiguities or substituting Projects to be financed from Bond proceeds.

Amendments of the respective rights and obligations of the Authority and the Bondholders may be made with the written consent of the Holders of not less than 66-2/3% in

principal amount of the Bonds Outstanding to which the amendment applies, but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond Outstanding (other than the terms of a Sinking Fund Installment) or of any installment of interest thereon or a reduction in the principal amount of Redemption Price therefor or the rate of interest thereon or reduce the percentages or otherwise affect the classes of Bonds, the consent of the Holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the Holders of all the Bonds then Outstanding.

TAX MATTERS

Tax-Exempt Bonds

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that, assuming continuous compliance with certain covenants and representations of the Authority: (i) interest on the 1998 Series B-2 Bonds, except for interest on any 1998 Series B-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 1998 Series B-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 1998 Series B Bonds (the "Tax Code"), is not included in gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 1998 Series B-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code; and (ii) interest on the 1998 Series B Bonds is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the 1998 Series B Bonds.

The Tax Code imposes several requirements which must be met with respect to the 1998 Series B-2 Bonds in order for the interest thereon to be excluded from gross income. Certain of these requirements must be met on a continuous basis throughout the term of the 1998 Series B-2 Bonds. These requirements include: (a) limitations as to the use of proceeds of the 1998 Series B-2 Bonds; (b) limitations on the extent to which proceeds of the 1998 Series B-2 Bonds may be invested in higher yielding investments; (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 1998 Series B-2 Bonds above the yield on the 1998 Series B-2 Bonds to be paid to the United States Treasury; and (d) compliance with certain provisions of the CHFA Regulatory Agreements.

Each Sponsor will covenant and represent in the respective CHFA Regulatory Agreement that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 1998 Series B-2 Bonds from gross income under present federal income tax laws. Bond Counsel's opinion as to the exclusion of interest on the 1998 Series B-2 Bonds from gross income is rendered in reliance on these covenants, and assumes continuing compliance therewith. The failure or inability of each Sponsor to comply with these requirements could cause the interest on the 1998 Series B-2 Bonds to be included in gross income from the date of issuance.

Section 55 of the Tax Code contains a 20 percent alternative minimum tax on the alternative minimum taxable income of corporations. Alternative minimum taxable income is defined to include "items of tax preference" and under Section 57 of the Tax Code, interest on the 1998 Series B-2 Bonds is an item of tax preference.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 1998 Series B-2 Bonds. Owners of the 1998 Series B-2 Bonds should be aware that the ownership of tax-exempt obligations by particular persons or entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the 1998 Series B-2 Bonds from gross income, alternative minimum taxable income (to the extent described above), Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the 1998 Series B-2 Bonds. Owners of the 1998 Series B-2 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the 1998 Series B-2 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed or enacted in the future which, if enacted into law, could adversely affect the value of the 1998 Series B-2 Bonds, the exclusion from interest on the 1998 Series B-2 Bonds from gross income, Colorado taxable income, Colorado alternative minimum taxable income or any combination thereof from the date of issuance of the 1998 Series B-2 Bonds or any other date Bondowners are advised to consult with their own tax advisors with respect to such matters.

Taxable 1998 Series B-1 Bonds

IN THE OPINION OF SHERMAN & HOWARD L.L.C., BOND COUNSEL, UNDER EXISTING LAW THE INTEREST ON THE TAXABLE 1998 SERIES B-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103(a) OF THE TAX CODE. Interest on the Taxable 1998 Series B-1 Bonds, however, is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the Taxable 1998 Series B-1 Bonds. Bond Counsel will express no opinion as to any other tax consequences regarding the Taxable 1998 Series B-1 Bonds.

Owners of the Taxable 1998 Series B-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 1998 Series B-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 1998 Series B-1 Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Contract dated as of July 31, 1998 (the "Purchase Contract"), the Authority has agreed to sell to the Underwriters identified on the cover page of this Official Statement and the Underwriters have agreed, subject to certain conditions, to purchase from the Authority, all, but not less than all, of the 1998 Series B Bonds, for an aggregate purchase price equal to the principal amount thereof, plus accrued interest from August 1, 1998 to the date of delivery of and payment for such 1998 Series B Bonds. The Authority has agreed to pay the Underwriters an aggregate underwriting fee of 1% of the aggregate principal amount of the 1998 Series B Bonds, plus certain expenses upon delivery of the 1998 Series B Bonds. The obligations of the Underwriters to accept delivery of the 1998 Series B Bonds are subject to various conditions contained in the Purchase Contract. The 1998 Series B Bonds will be offered to the public at the offering prices set forth on the inside front cover hereof. The initial public offering prices of the 1998 Series B Bonds may be changed from time to time by the Underwriters.

CERTAIN LEGAL MATTERS

In connection with the issuance and sale of the 1998 Series B Bonds, Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, will deliver the opinion discussed under "TAX MATTERS," a form of which is included in Appendix D hereto. Certain legal matters will be passed upon for the Authority by its Director of Legal Operations and legal counsel James A. Roberts, Esq.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hogan & Hartson L.L.P., Denver, Colorado.

RATINGS

As of the date of delivery, it is expected that the 1998 Series B Bonds will receive ratings of "Aa2" from Moody's Investors Service ("Moody's") and "AA" from Standard & Poor's Ratings Group ("S&P").

Neither the Authority nor the Underwriters makes any representation as to the meanings of such ratings. An explanation of the Moody's rating may be obtained from Moody's by writing to Moody's Investors Service, 99 Church Street, New York, New York 10007; an explanation of the S&P rating may be obtained from S&P by writing to Standard & Poor's Ratings Group, 25 Broadway, New York, New York 10004. The ratings are not recommendations to buy, sell or hold the 1998 Series B Bonds. There is no assurance that such ratings will be maintained for any period of time or that such ratings will not be withdrawn or revised downward by Moody's or S&P if, in their judgment, circumstances so warrant. Such actions, if taken, could have an adverse effect on the market price of the 1998 Series B Bonds. The Underwriters and the Authority have undertaken no responsibility to ensure the maintenance of the ratings or to oppose any revisions or withdrawals.

CONTINUING DISCLOSURE UNDERTAKINGS

In connection with its issuance of the 1998 Series B Bonds, the Authority will deliver a Continuing Disclosure Undertaking, a form of which is attached hereto in Appendix G, wherein the Authority will agree for the benefit of the Bondowners to provide certain annual financial information and to provide notices of occurrence of certain enumerated events relating to the Bonds, if material. The Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds. In addition, each Sponsor of a 1998B Project will agree to provide to the Authority, and the Authority will agree to file upon receipt, certain annual financial information relating to the respective 1998B Project of the type set forth in Appendix C hereto. See Form of Sponsor Continuing Disclosure Undertaking attached hereto in Appendix G.

NO IMPAIRMENT OF CONTRACT BY THE STATE

Pursuant to the provisions of Section 29-4-731 of the Act, the Authority has included in the General Resolution the pledge and agreement of the State that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bondholders or in any way impair the rights and remedies of such holders until the 1998 Series B Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

The Act provides that the 1998 Series B Bonds are eligible for investment in the State by all public officers, public bodies and political subdivisions of the State, banking associations, savings and loan associations, trust companies, investment companies and insurance companies and all executors, administrators, trustees and other fiduciaries of funds in their control or belonging to them; provided that, at the time of purchase by a public entity, such 1998 Series B Bonds are rated in one of the two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations. The Act makes the 1998 Series B Bonds securities which may properly and legally be deposited with and received by any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is authorized by law.

FURTHER INFORMATION

The information contained above is subject to change without notice, and no implication should be derived therefrom or from the sale of the 1998 Series B Bonds that there has been no change in the affairs of the Authority from the date hereof.

Additional information may be obtained from the undersigned at 1981 Blake Street, Denver, Colorado 80202 (fax: 303-294-9773).

MISCELLANEOUS

The distribution of this Official Statement has been duly authorized by the Authority. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or holders of any 1998 Series B Bonds.

COLORADO HOUSING AND FINANCE AUTHORITY

By: /s/ David W. Herlinger
Executive Director

Appendix A

**Financial Statements and Additional Information
of the Authority
for the Fiscal Year Ended December 31, 1997
and Independent Auditors' Report**

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Report of Independent Auditors

Board of Directors
Colorado Housing and Finance Authority

We have audited the statements of financial condition of the Colorado Housing and Finance Authority (the Authority) as of December 31, 1997 and 1996, and the related statements of revenue, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Housing and Finance Authority at December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages A-28 and A-29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

March 4, 1998

COLORADO HOUSING AND FINANCE AUTHORITY

Statements of Financial Condition

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
	(000's Omitted)	
<u>Assets</u>		
Cash	\$ 2,430	1,222
Marketable securities:		
Short-term, at amortized cost which approximates market	<u>256,078</u>	<u>183,933</u>
Cash and cash equivalents	258,508	185,155
Long-term, at amortized cost (market value \$139,558 and \$130,726)	<u>132,316</u>	<u>124,881</u>
Total cash and marketable securities	390,824	310,036
Loans receivable, net	1,013,155	929,301
Accrued interest receivable	13,008	11,615
Property and equipment, net:		
Corporate facilities	3,305	3,567
Rental operations	29,376	29,886
Deferred debt financing costs, net	15,651	16,123
Other real estate owned, net	461	201
Other assets	<u>9,465</u>	<u>8,313</u>
	\$ <u>1,475,245</u>	<u>1,309,042</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Bonds and notes payable, net	1,332,307	1,185,951
Accrued interest payable	21,442	19,453
Accounts payable and other liabilities	7,199	7,179
Federally assisted program advances	776	345
Deferred fee income	695	730
Escrow and refundable deposits	<u>2,940</u>	<u>1,808</u>
Total liabilities	<u>1,365,359</u>	<u>1,215,466</u>
Fund equity - retained earnings:		
Restricted	52,641	45,227
General fund - Board designated	<u>57,245</u>	<u>48,349</u>
Total fund equity - retained earnings	<u>109,886</u>	<u>93,576</u>
	\$ <u>1,475,245</u>	<u>1,309,042</u>

See notes to financial statements.

COLORADO HOUSING AND FINANCE AUTHORITY

Statements of Revenue, Expenses
and Changes in Retained Earnings

	Years Ended	
	December 31,	
	1997	1996
	(000's Omitted)	
Interest and investment revenue:		
Loans receivable	\$ 77,993	71,904
Marketable securities	<u>23,659</u>	<u>22,060</u>
Total interest and investment revenue	101,652	93,964
Interest expense - bonds and notes payable	<u>85,584</u>	<u>79,973</u>
Net interest and investment revenue	<u>16,068</u>	<u>13,991</u>
Other revenue:		
Rental operations	9,456	8,924
Fees and miscellaneous income	<u>9,370</u>	<u>6,175</u>
Total other revenue	<u>18,826</u>	<u>15,099</u>
Net revenue	<u>34,894</u>	<u>29,090</u>
Other expenses:		
Salaries and related benefits	6,776	6,371
General operating	9,103	8,394
Provision for losses	571	762
Other interest expense	<u>2,134</u>	<u>2,253</u>
	<u>18,584</u>	<u>17,780</u>
Net income	16,310	11,310
Retained earnings, beginning of year	<u>93,576</u>	<u>82,266</u>
Retained earnings, end of year	\$ <u>109,886</u>	<u>93,576</u>

See notes to financial statements.

COLORADO HOUSING AND FINANCE AUTHORITY

Statements of Cash Flows

	Years Ended	
	December 31,	
	1997	1996
	(000's Omitted)	
Operating activities:		
Net income	\$ 16,310	11,310
Adjustments to reconcile to net cash (used)		
by operating activities:		
Cost of mandatory bond calls	-	27
Depreciation	1,548	1,579
Accretion of capital appreciation		
term bonds	1,939	2,297
Capitalized interest on construction		
loans	(685)	(1,585)
Amortization of:		
Deferred debt financing costs	1,785	1,815
Premiums and discount on bonds, net	(1,798)	(1,654)
Premiums and discounts on long-		
term marketable securities, net	(22)	(53)
Deferred fee income	(2,463)	(2,126)
Deferred cash assistance expense	789	702
Mortgage yield recoupment income	(265)	(266)
Provision for losses	571	762
Gain on sale of long term marketable		
securities	(15)	(16)
Principal repayments on loans receivable	108,806	100,130
Investment in loans receivable	(190,174)	(195,992)
Deferred fee income	1,682	1,300
Deferred cash assistance expense	(4,599)	(5,073)
Changes in assets and liabilities:		
Accrued interest receivable	(1,393)	(169)
Other assets	1,035	1,726
Accrued interest payable	1,989	(63)
Accounts payable, federally assisted		
program advances and escrow and		
refundable deposits	<u>1,583</u>	<u>1,985</u>
Total adjustments	<u>(79,687)</u>	<u>(94,674)</u>
Net cash (used) by operating		
activities	\$ <u>(63,377)</u>	<u>(83,364)</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Statements of Cash Flows

	Years Ended	
	December 31,	
	1997	1996
	(000's Omitted)	
Net cash (used) by operating activities	\$ (63,377)	(83,364)
Investing activities:		
Sales and maturities of long-term marketable securities	33,672	30,111
Purchases of long-term marketable securities	(40,595)	(21,214)
Proceeds from sale of other real estate owned	2	-
Purchases of property and equipment:		
Corporate facilities	(203)	(440)
Rental operations	(574)	(931)
Net cash (used) provided by investing activities	(7,698)	7,526
Financing activities:		
Proceeds from issuance of bonds and notes payable	370,582	383,257
Debt financing costs	(1,959)	(2,242)
Repayments of bonds and notes payable	(224,195)	(305,998)
Bond call premiums	-	(348)
Net cash provided by financing activities	144,428	74,669
Net increase (decrease) in cash and cash equivalents	73,353	(1,170)
Cash and cash equivalents, beginning of year	185,155	186,325
Cash and cash equivalents, end of year	\$ 258,508	185,155
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 78,991	78,900
Supplemental schedule of non-cash operating, investing and financing activities:		
Transfer of mortgage loans to real estate owned	32	-
Transfer of mortgage loans to other assets	2,428	698
Transfer of allowance on other real estate owned to allowance on loans receivable	90	52
Transfer of deferred debt financing costs to deferred refunding	499	980
Charge-offs of other real estate owned, loans receivable and other assets	147	1,618

See notes to financial statements.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies
(Amounts for all notes in tabular format are in thousands)

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). Operations of the Authority commenced in 1974.

The Authority was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for low and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises of small and moderate size. The power to make equity investments expired in 1992.

At December 31, 1997, the Authority was authorized to have bonds, notes and other obligations outstanding in the aggregate amount of \$2.4 billion, which do not constitute debt of the State of Colorado.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20, which, among other things, imposes restrictions on increases in revenues and expenditures of state and local governments. In the opinion of its bond counsel, the Authority qualifies as an enterprise under the amendment and therefore is exempt from its provisions.

(b) Reporting Entity

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has considered the inclusion of related entities in its financial statements. The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have substantively the same board of directors and management personnel, and their surplus assets are relinquished to the Authority.

Tanglewood Oaks Apartments Corporation ("Tanglewood"), Hyland Park Centre Corporation ("Hyland Park"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as component units and included in the Authority's financial statements. Tanglewood, Hyland Park and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. Financial information pertaining to the component units is presented in Note (1)(1). Separate financial statements for the individual component units may be obtained through the Authority.

Management also has concluded that it is not a component unit of any other entity.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(c) Fund Accounting

The financial activities of the Authority are recorded in funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the bond resolutions, excluding the Economic Development Fund (EDF) and the Housing Opportunity Fund (HOF), are recorded in the Operating Fund. The Operating Fund, EDF, HOF and those funds established under bond programs secured by the pledge of the Authority's general obligation, constitute the General Fund.

The financial statements of the Authority are presented on the basis of the governmental proprietary fund accounting concept. All interfund and intercompany balances and transactions have been eliminated in the basic financial statements. Revenue and expenses are recognized on an accrual basis.

The Authority's Board of Directors (the "Board") has designated certain amounts of the retained earnings of the General Fund as of December 31, 1997 and 1996 for various purposes as follows:

	<u>1997</u>	<u>1996</u>
Appropriations:		
Housing fund	\$ 2,224	4,136
Economic development fund	8,242	3,939
Housing opportunity fund - CHFA	14,694	10,502
Housing opportunity fund - FAF	<u>4,794</u>	<u>3,888</u>
	<u>29,954</u>	<u>22,465</u>
Reserves:		
Debt service:		
General Obligation Bonds, Issue A	-	3,300
General Obligation Bonds -		
Rental Housing and Commercial	7,240	8,536
General operating and working		
capital reserve	<u>4,000</u>	<u>500</u>
	<u>11,240</u>	<u>12,336</u>
Restrictions	<u>16,051</u>	<u>13,548</u>
Total designated retained earnings	\$ <u>57,245</u>	<u>48,349</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(c) Fund Accounting (continued)

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance only if, (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and, (ii) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". As permitted by the GASB Statement, the Authority may also adopt all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. As of December 31, 1997, no such FASB pronouncements have been adopted.

(d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance, Planning & Development and Human Resources staff reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is first presented with a draft in September. Modifications are made in an iterative process by the Board in September, October and November. A public hearing is held in late November and if further changes are made they are incorporated into the final version adopted by the Board in December. The Board may modify the budget at any point during the fiscal year, but has chosen to do so only once in its history, in 1992.

The budget is developed on a full accrual basis with estimations of revenues by source and expenses by object. Funds remaining at the end of one year are then budgeted again in the following year if requested and approved.

(e) Cash

Cash at December 31, 1997 and 1996 primarily includes market interest accounts and approximately \$2,047,000 and \$936,000, respectively, which is restricted for various General Fund program purposes.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(f) Marketable Securities

Short-term marketable securities are carried at amortized cost, which approximates market. For purposes of the statements of cash flows, the Authority considers all short-term investments to be cash equivalents. Long-term marketable securities are carried at amortized cost, as the Authority has the ability and intent to hold such instruments to maturity. Included in long-term marketable securities are \$121,474,000 and \$114,045,000 at December 31, 1997 and 1996, respectively, which are restricted for future debt service as required under the various bond resolutions. All purchases and sales of investments must be authorized in writing by the Authority.

The GASB has issued its Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" effective for periods beginning after June 15, 1997, with earlier application encouraged. The Authority has not yet implemented this statement because the financial statement effects have not been fully determined.

(g) Loans Receivable

Mortgage loans are carried net of deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, mortgage loans bear interest at rates ranging from 6.50% to 14.00% per annum, payable monthly over terms from 15 to 40 years. Commercial loans bear interest at rates ranging from 6.00% to 11.60% per annum, payable monthly or annually over terms from 4 to 30 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions on behalf of the Authority. Servicing costs are accounted for as a reduction of interest income.

(h) Fee Income and Expense

Loan and commitment fees, net of related costs, are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans. Under the Authority's current Single Family Bond Program, the borrower is provided a cash assistance payment equivalent to 4% of the loan amount. These payments are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans.

(i) Mortgage Yield Recoupment Income

Income in excess of arbitrage limits under the U.S. Treasury regulations advanced to the Authority in connection with certain bond issues are accounted for as an adjustment of the yield on the respective mortgage loan portfolio to the yield permitted under the regulations. These amounts are deferred and amortized over the lives of the respective mortgage loans.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(j) Compensated Absences

Full-time employees accrue vacation leave at the rate of between ten days and twenty days per year, depending on length of service. Part-time employees accrue vacation leave at one-half the rate of a full time employee. Sick leave accrues to full-time employees at the rate of ten days per year, five days for part-time staff, but is non-vesting in either case. The liability for compensated absences is included in the financial statements.

(k) Allowance for Losses

The allowance for losses on loans and other real estate owned is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable and other real estate owned are shown net of allowance for losses of \$3,363,000 and \$754,000, respectively, for 1997, and \$2,896,000 and \$798,000, respectively, for 1996.

(l) Property, Equipment and Rental Real Estate Operations

Office building, furniture and equipment are carried at \$3,305,000 and \$3,567,000 at December 31, 1997 and 1996, respectively, representing cost net of accumulated depreciation of \$2,619,000 and \$2,220,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty-five years.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low- and moderate-income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the Operating Fund. As a policy matter, the Authority sells these properties from time-to-time to qualified non-profit sponsors. Further, it is the policy of the Authority, to distribute excess surplus equity from the component units semi-annually. These distributions are reflected in the component unit equity from period to period.

As of December 31, the Authority owned a total of 15 RAP projects, including its three component units, containing 1,488 units. Selected balance sheet items of the RAP are presented below:

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(1) Property, Equipment and Rental Real Estate Operations (continued)

	<u>1997</u>	<u>1996</u>
RAP combined, including component units:		
Property, net of accumulated depreciation of \$5,350,000 and \$4,341,000	\$ 29,376	29,886
Total assets	35,657	34,783
Total debt	31,208	31,859
Equity	4,449	2,924
RAP component units only:		
Property, net of accumulated depreciation of \$2,433,000 and \$1,808,000	\$ 18,825	19,004
Total assets	22,246	22,114
Total debt	20,048	20,832
Equity	2,198	1,282

All revenues and expenses of these properties, including depreciation and interest, are reflected in the operating results of the Authority's Operating Fund. RAP rents and other revenue are recorded as other revenue, operating and other expenses are recorded in general operating expenses, and interest expense on notes payable and general obligation bond proceeds used to acquire the properties is recorded in other interest expense. A summary of the operating results of the RAP properties is presented below on a proforma stand-alone basis before elimination of intercompany transactions:

	<u>1997</u>	<u>1996</u>
RAP combined, including component units:		
Rents and other revenue	\$ 9,456	8,924
General operating expenses	(4,135)	(3,739)
Depreciation expense	(1,084)	(1,036)
Interest expense	<u>(2,273)</u>	<u>(2,357)</u>
Net income	\$ <u>1,964</u>	<u>1,792</u>
RAP component units only:		
Rents and other revenue	\$ 5,791	5,614
General operating expenses	(2,347)	(2,290)
Depreciation expense	(625)	(607)
Interest expense	<u>(1,464)</u>	<u>(1,526)</u>
Net income	\$ <u>1,355</u>	<u>1,191</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

- (1) Organization and Summary of Significant Accounting Policies (continued)
- (m) Deferred Debt Financing Costs and Bond Discounts and Premiums
Costs of debt issuance are deferred and amortized over the expected average lives of the bond issues using either the straight-line or effective interest method depending on the nature of the underlying debt. Discounts and premiums on bonds payable are deferred and amortized over the lives of the respective bond issues using the effective interest method.
- (n) Other Real Estate Owned
Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is initially recorded at the lower of the investment in the loan or the estimated net realizable value. Subsequent losses are provided for through the allowance for losses.
- (o) Other Assets
Included in other assets are escrows related to RAP and loans serviced by the Authority, deferred compensation plan assets, unamortized costs of mortgage servicing rights, and investments in public/private partnerships and corporations, designed to foster economic development. Where such investments represent a 20% to 50% ownership interest, the Authority uses the equity method of accounting. All other investments are recorded at cost. The carrying value of such investments is approximately \$583,000 and \$1,669,000 at December 31, 1997 and 1996, respectively.
- (p) Federally Assisted Program Advances
In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments (HAP) Program in certain areas of the State of Colorado. Under this program, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. These administrative fees, approximately \$1,180,000 and \$1,157,000 in 1997 and 1996, respectively, are recognized as other revenue when earned.
- (q) Other Revenue and Other Interest Expense
Other revenue includes rent income from RAP, administrative fees from HAP, tax credit program fees, and reimbursements and fees from other programs. Other interest expense includes actual interest costs on debt incurred to finance RAP projects and on borrowings incurred to finance the Authority's facilities and equipment.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies (continued)

(r) Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method.

(s) Certain 1996 amounts have been reclassified to conform to the 1997 presentation.

(2) Cash and Marketable Securities

Investment of the Authority's monies is made in accordance with the Authority's investment guidelines, which have been approved by the Board and are in compliance with the Act and the laws of the State of Colorado.

Permitted investments under these investment guidelines include obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 or P-1, certificates of deposit, repurchase agreements, money market mutual funds and investment agreements.

At December 31, 1997 the carrying amount of the Authority's cash deposits totaled \$2,430,000. Of this amount, \$762,000 was covered by federal depository insurance and \$1,668,000 was required to be collateralized under provisions of the Colorado Public Deposit Protection Act with securities held by the pledging depository but not in the Authority's name.

Marketable securities are categorized below to provide an indication of the level of risk assumed by the Authority as of December 31, 1997. Category 1 includes those investments which are insured or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market mutual funds and uncollateralized investment agreements because securities are not issued as evidence of investment.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(2) Cash and Marketable Securities (continued)

	Categories			Carrying Amount	Market Value
	1	2	3		
Commercial paper	\$ 10,632	-	-	10,632	10,632
U.S. government & agency obligations	75,818	-	-	75,818	83,060
Investment agreements	-	53,235	-	53,235	53,235
Repurchase agreements	<u>2,053</u>	<u>-</u>	<u>-</u>	<u>2,053</u>	<u>2,053</u>
	\$ <u>88,503</u>	<u>53,235</u>	<u>-</u>	<u>141,738</u>	<u>148,980</u>
Uncategorized:					
Treasury money market funds				7,637	7,637
Investment agreements				<u>239,019</u>	<u>239,019</u>
				\$ <u>388,394</u>	<u>395,636</u>

Investment agreements meet the requirements of the rating agency providing the rating on the debt issue for which the investment serves as collateral, and of the Board in accordance with the Act. Such investments are held by financial institutions having the same or higher ratings as that of the applicable debt issue, and the agreements generally provide for collateralization of balances in the event of rating agency downgrade of the institution below the related bond ratings.

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are limited to those government obligations permitted by the Authority's investment guidelines and have a market value of 102% of the cost of the repurchase agreement. The Authority's collateral interest in the underlying securities is perfected by delivery of the securities to the Authority's trustee.

(3) Loans Receivable

Loans receivable at December 31, consist of the following:

	1997	1996
General Fund	\$ 126,862	121,932
Multi-family bond programs:		
Housing Insured Mortgage Revenue	286,848	247,988
Mortgage Revenue	4,334	4,385
Single Family bond programs:		
Housing Revenue	98,454	96,548
Taxable Program Senior and Subordinate Revenue	9,210	11,420
Residential Housing Revenue	5,915	8,271
Program Senior and Subordinate Revenue Refunding	30,176	37,503
	452,336	406,402
	<u>1,300</u>	<u>1,486</u>
Total loans receivable	1,015,435	935,935

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(3) Loans Receivable (continued)

Total loans receivable	1,015,435	935,935
Deferred cash assistance expense	14,493	10,689
Deferred fee income	(12,255)	(13,007)
Deferred mortgage yield recoupment income	(1,155)	(1,420)
Allowance for loan losses	<u>(3,363)</u>	<u>(2,896)</u>
 Total loans receivable, net	 \$ <u>1,013,155</u>	 <u>929,301</u>

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 1997 and 1996, \$25,642,000 and \$25,090,000 of these loans (ACCESS program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Generally, the Authority's lien is secured at origination with collateral having a loan-to-value ratio of at least 45%. Additionally, at December 31, 1997 and 1996, \$18,962,000 and \$21,022,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

Multi-family bond program loans are collateralized by first mortgages on applicable real estate, and, in most cases, are further insured by an agency of the United States government.

Single family bond program loans are collateralized by first mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or more, are either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department, formerly Farmers Home Administration.

All loans receivable of the Authority are originated in the State of Colorado, with a majority of the underlying collateral in the front range and Denver metropolitan areas. Single family program loans are made to low and moderate-income families. Multi-family housing borrowers are non-profit and for-profit developers, while commercial borrowers are generally for-profit entities, doing business throughout Colorado.

At December 31, 1997 and 1996, the amounts available in the Bond Funds for additional investments in new loans are as follows:

	<u>1997</u>	<u>1996</u>
Recycled funds loans (Single-family mortgage prepayments)	\$ 22,634	11,846
Single family mortgage program	44,206	43,220
General obligation mortgages and projects	4,496	3,795
Multi-family mortgages and projects	<u>190</u>	<u>190</u>
	\$ <u>71,526</u>	<u>59,051</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 1997 and 1996 are shown below. Interest is payable semi-annually unless otherwise noted.

<u>Description and due date</u>	<u>Interest rate (%)</u>	<u>1997</u>	<u>1996</u>
General Fund:			
General Obligation Bonds:			
Issue A 2016	8.00	\$ 3,535	3,535
1986 Series A 1998-2021	7.25	2,465	5,815
1991 Series A 1998-2029	6.90 to 7.50	20,735	20,985
1992 Series A 1998-2030	9.125	3,355	3,365
1994 Series A 1998-2030	5.30 to 6.875	27,855	28,265
ACCESS Programs:			
1991 Series A 1998-2011	8.625 to 9.15	8,650	9,320
1991 Series B 1998-2011	7.30 to 9.40	7,965	8,485
1995 Series A 1998-2015	7.67	6,996	7,141
1997 Series A 1998-2018	7.22	7,071	-
QIC Program:			
1993 Series A 1998-2018	7.87	1,898	2,844
1994 Series A 1998-2019	6.51	1,305	1,904
1994 Series B 1998-2021	6.53	5,032	5,708
1995 Series A 1998-2020	7.60	7,470	8,950
1997 Series A 1998-2023	6.56	<u>4,756</u>	<u>-</u>
Multi-family Mortgage Revenue			
Bond:			
1994 Series A 1998-2002	7.25	<u>300</u>	<u>349</u>
Multi-family Housing Insured			
Mortgage Revenue Bonds:			
1977 Series A 1998-2019	5.70 to 6.00	16,395	16,775
1977 Series B 1998-2020	6.00	34,830	35,485
1979 Series A	6.30 to 6.90	-	36,255
1982 Series A 1998-2025	9.00	21,695	21,695
1982 Series B 1998-2025	6.00	11,645	11,645
1984 Series A 1998-2016	7.50	6,250	6,250
1991 Series A 1998-2026	7.35	2,525	2,535
1992 Series A 1998-2023	7.85 to 8.30	82,710	83,820
1993 Series A 1998-2029	5.125 to 5.90	16,985	17,130
1995 Series A 1998-2037	5.20 to 6.80	12,140	13,130
1995 Series B 1998-2037	5.00 to 6.75	14,455	14,455
1995 Series C 1998-2015	5.10 to 7.00	13,085	13,085
1996 Series A 1998-2036	3.95 to 7.20	38,880	39,430

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

<u>Description and due date</u>	<u>Interest rate (%)</u>	<u>1997</u>	<u>1996</u>
1996 Series B 1998-2037	5.75 to 8.00	9,055	9,055
1996 Series C 1998-2038	4.50 to 8.10	24,465	24,465
1997 Series A 1998-2038	4.00 to 7.125	20,150	-
1997 Series B 1998-2038	3.90 to 7.25	29,860	-
1997 Series C 1998-2039	4.10 to 6.75	56,130	-
		<u>411,255</u>	<u>345,210</u>
Multi-family Mortgage			
Revenue Bonds (Principal and interest payable monthly):			
Series 1978-3 1998-2017	6.50	\$ 1,398	1,427
Series 1980-1 1998-2021	10.50	782	789
Series 1981-1 1998-2022	11.00	2,154	2,169
		<u>4,334</u>	<u>4,385</u>
Single Family Housing Revenue			
Bonds:			
1991 Refunding Series A 1998-2031	6.10 to 7.25	78,636	80,762
1995 Refunding Series A 1998-2015	4.20 to 5.85	13,930	16,815
1996 Refunding Series AA 2005-2023	4.80 to 5.625	34,495	34,495
		<u>127,061</u>	<u>132,072</u>
Taxable Single Family Program			
Senior and Subordinate Bonds:			
1993 Issue A 1998-2011	6.625 to 7.625	9,535	12,010
Single Family Revenue Bonds:			
1985 Series A 2014	11.125	1,059	1,005
1985 Series B 2010-2017	8.75	3,525	4,815
1985 Series C 1998-2017	8.65 to 10.00	4,125	5,765
1993 Refunding Series A 2005-2014	7.00	6,790	6,698
		<u>15,499</u>	<u>18,283</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

<u>Description and due date</u>	<u>Interest rate (%)</u>	<u>1997</u>	<u>1996</u>	
Single Family Residential				
Housing Revenue Bonds:				
1986 Series A	1998-2017	7.60 to 8.75	13,486	15,062
1987 Series A	1998-2017	7.00 to 8.125	7,165	8,655
1987 Series B	1998-2017	8.00 to 9.00	10,135	12,275
1987 Series C	1998-2017	7.80 to 8.75	<u>9,190</u>	<u>11,555</u>
		<u>39,976</u>	<u>47,547</u>	
Single Family Mortgage Revenue				
Bonds (GNMA Mortgage-Backed				
Securities Program):				
1988 Series A	1998-2021			
Principal and interest				
payable monthly; subject				
to a one time conversion				
with principal and interest				
payable June 1 and December 1.	Variable	\$	<u>5,360</u>	<u>6,677</u>
Single Family Program Senior				
and Subordinate Bonds:				
1989 Series A	1998-2020	7.50 to 9.25	8,320	10,070
1989 Series B	1998-2021	7.10 to 8.70	9,975	13,070
1989 Series C	1998-2021	7.10 to 9.60	10,345	12,575
1990 Series A	1998-2021	7.625 to 9.375	7,755	9,605
1990 Series B	1998-2022	7.20 to 10.40	9,680	11,555
1990 Series C	1998-2022	6.65 to 9.20	16,345	19,675
1991 Series A	1998-2023	6.50 to 9.40	9,780	12,495
1991 Series B	1998-2023	6.40 to 9.00	14,885	17,685
1991 Series C	1998-2023	6.30 to 9.075	22,015	25,995
1991 Series D	1998-2023	6.00 to 8.65	15,940	18,350
1992 Series A	1998-2024	6.00 to 8.70	27,025	30,725
1994 Series B	1998-2024	4.75 to 7.50	6,925	8,235
1994 Series C	1998-2024	5.00 to 7.90	9,675	11,870
1994 Series D-I	1998-2024	5.10 to 8.00	10,590	12,420
1994 Series D-II	1998-2025	5.65 to 8.125	9,975	11,660
1994 Series E	1998-2024	5.30 to 8.125	13,120	15,920
1994 Series F	1998-2025	6.75 to 8.625	8,920	11,010
1995 Series A	1998-2025	5.30 to 8.00	20,275	22,745
1995 Series B	1998-2025	5.20 to 7.90	20,715	23,480
1995 Series C	1998-2017	4.65 to 7.65	26,425	29,365
1995 Series D	1998-2026	5.20 to 7.375	38,860	39,745
1996 Series A	1998-2014	4.30 to 7.15	39,615	40,000
1996 Series B	1998-2027	4.40 to 7.65	39,890	40,000
1996 Series C	1998-2027	4.25 to 7.55	40,000	40,000

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

<u>Description and due date</u>	<u>Interest rate (%)</u>	<u>1997</u>	<u>1996</u>
1997 Series A 1998-2027	4.00 to 7.25	45,000	-
1997 Series B 1998-2026	4.20 to 7.00	45,000	-
1997 Series C 1998-2016	4.80 to 6.875	45,000	-
		<u>572,050</u>	<u>488,250</u>
Single Family Revenue Refunding:			
1994 Series A 1998-2011	5.00 to 5.30	1,350	1,575
Mortgage notes:			
September 4, 2020	1.00	\$ 1,036	1,036
June 22, 2025	1.00	850	850
July 1, 2004	4.50	800	817
June 30, 1998	5.00	65	65
June 30, 2001	5.37	1,296	1,318
June 30, 1998	6.00	100	100
April 1, 2010	11.47	55	57
November 1, 1999	11.47	78	80
August 1, 1999	11.47	28	28
July 5, 1999	11.47	278	284
March 31, 2003	-	255	298
November 1, 2005	-	90	100
Unsecured notes payable:			
April 1, 2028	7.4	1,117	1,117
January 2, 1998	6.24	9,620	-
February 21, 1997	variable	-	2,902
September 1, 1998	variable	84	83
June 8, 2000	-	65	70
March 7, 1997	variable	-	1,500
		<u>15,817</u>	<u>10,705</u>
Total bonds and notes payable		1,311,625	1,173,280
Discounts/premiums, net		20,448	12,160
Deferred refunding amounts		234	511
Total bonds and notes payable, net		\$ <u>1,332,307</u>	<u>1,185,951</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

Included in several of the bond issues shown above are Capital Appreciation Bonds (CAB), Capital Appreciation Term Bonds (CATB), and Principal Appreciation Conversion Securities (PACS). The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The PACS appreciated for a period of 11 years until the conversion date of March 2, 1997 and thereafter interest is payable semiannually until maturity. The appreciated balances of these bonds at maturity and as reflected in the accompanying statements of financial condition at December 31, 1997 and 1996 are as follows:

<u>Description, due date and type</u>	<u>Interest rate (%)</u>	<u>Appreciated Balances</u>		
		<u>Maturity</u>	<u>1997</u>	<u>1996</u>
Single Family Revenue Bonds:				
1985 Series A 2014 CATB	11.125	\$ 6,430	1,059	1,005
1985 Series C 2017 PACS	10.00	2,830	1,855	2,785
1993 Refunding Series A 2014 CATB	7.00	21,370	6,790	6,698
Single Family Residential Housing Revenue Bonds:				
1986 Series A 2010 CATB	8.75	18,005	6,086	5,587
Single Family Housing Revenue Bonds:				
1991 Refunding Series A 2001-2006 CAB	6.70 to 7.00	18,725	12,726	11,897

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 1997, are as follows:

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Bonds:					
General Fund:					
General Obligation	\$ 2,761	2,956	3,211	2,887	3,733
Multi-family Revenue Bonds	52	57	61	66	64
Multi-family:					
Housing Insured Mortgage Revenue	4,230	4,770	5,170	5,580	5,980
Mortgage Revenue	50	55	60	66	72
Single Family:					
Housing Revenue	3,990	3,935	4,255	4,579	4,708
Taxable Program Senior and Subordinate Revenue	120	120	100	-	-
Residential Housing Revenue	105	40	-	-	-
Mortgage Revenue, GNMA Program Senior and Subordinate Revenue Refunding	1,750	1,810	1,920	1,985	2,212
Program Senior and Subordinate Revenue Refunding	1,120	1,106	1,048	993	951
Revenue Refunding	7,430	8,570	8,810	8,940	8,817
Notes Payable	80	80	80	80	80
	<u>10,109</u>	<u>485</u>	<u>241</u>	<u>1,377</u>	<u>157</u>
	\$ <u>31,797</u>	<u>23,984</u>	<u>24,956</u>	<u>26,553</u>	<u>26,774</u>

Aggregate maturities of bonds and notes payable subsequent to the year 2002 are \$1,177,561,000.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 1997 and 1996, these assets were at least equal to the amounts required to be restricted.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(4) Bonds and Notes Payable (continued)

As of December 31, 1997 and 1996, the Authority had a \$439,000 and \$449,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations, which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an on-going fee representing .25% of the unpaid balance of its participation interest.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$35,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. As of December 31, 1997 and 1996, the outstanding borrowings under this agreement were zero and \$1,500,000, respectively.

The Authority also has a revolving, unsecured, bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at .55% per annum above the London Interbank Offered Rates (LIBOR). The line of credit matures on July 31, 1999. At December 31, 1997, the outstanding borrowings under this agreement were \$9,620,000.

As of December 31, 1996, the Authority also had a revolving, unsecured, bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest at .70% per annum above the fixed LIBOR rate. The line of credit matured on June 30, 1997. At December 31, 1996, the outstanding borrowings under this agreement were \$2,902,000.

The Authority has issued certain conduit Multi-Family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 1997, \$158,960,000 and \$18,100,000, respectively, of these bonds were outstanding. As of December 31, 1996, \$159,060,000 and \$16,645,000, respectively, of these bonds were outstanding. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(5) Debt Refundings

On November 19, 1997, the Authority issued its Multi-family Housing Insured Mortgage Revenue Bonds, 1997 Series C, in the aggregate principal amount of \$56,130,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-family Housing Insured Mortgage Revenue Bonds, 1979 Series A in the amount of \$35,695,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of \$7,184,000 and an approximate economic gain to the Authority of \$6,812,000.

As part of a restructuring of certain outstanding debt on December 19, 1996, the Authority issued its Single Family Housing Revenue Refunding Bonds, 1996 Series AA, in the aggregate principal amount of \$34,495,000. Proceeds of the bonds were used to refund all of its outstanding Single Family Housing Revenue Bonds, 1978 Series A and 1980 Series B in the amount of \$23,820,000, and \$10,675,000 of the 1991 Refunding Series A. Of the amounts available from the refunding, \$23,513,000 was for the purchase of new mortgage loans. While the refunding extended the term of the debt beyond the prior maturity date, debt service requirements have been reduced substantially through the year 2011, and by \$648,000 in the aggregate. The transaction, overall, resulted in an approximate economic gain to the Authority of \$4,133,000.

On April 1, 1996, the Authority issued its Multi-Family Housing Insured Mortgage Revenue Bonds, 1996 Series A, in the aggregate principal amount of \$39,720,000. Proceeds of the bonds were used for new mortgage loans and to partially refund its outstanding 1984 Multi-Family Housing Insured Mortgage Revenue Bonds, Series A in the amount of \$13,940,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of \$6,181,000 and an estimated economic gain to the Authority of \$5,444,000.

In accordance with Governmental Accounting Standards Board statement No. 23, the following deferred amounts related to the 1997 and 1996 refunding transactions are being amortized over the estimated remaining lives of the old debt.

	<u>1997</u>	<u>1996</u>
Multi-Family Housing Insured Mortgage Revenue Bonds, 1979 Series A and 1984 Series A:		
Gain on sale of investments	\$ (475)	-
Deferred debt financing costs	499	207
Unamortized discount	106	-
Bond call premiums	-	348
Single Family Housing Revenue Bonds, 1978 Series A, 1980 Series B and 1991 Refunding Series A		
Gain on sale of investments	-	(2,844)
Deferred debt financing costs	-	773
Unamortized discount	-	479
Total deferred amount	\$ <u>130</u>	<u>(1,037)</u>

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(6) Selected Financial and Operating Data

Selected financial and operating data of the various program funds of the Authority as of December 31, 1997 are as follows:

	<u>Total Assets</u>	<u>Bonds and Notes Payable</u>	<u>Fund Equity</u>
General Fund	\$ 216,700	141,616	55,960
Multi-family:			
Housing Insured Mortgage Revenue	418,516	400,836	9,783
Mortgage Revenue	4,368	4,335	-
Single Family:			
Housing Revenue	152,811	128,569	23,027
Taxable Program Senior and Subordinate	10,680	9,987	635
Revenue	19,288	15,455	3,600
Residential Housing Revenue	48,420	39,826	7,650
Mortgage Revenue (GNMA Program)	6,072	5,360	55
Program Senior and Subordinate	621,389	602,551	9,049
Revenue Refunding	1,722	1,350	127
Intercompany Eliminations	<u>(24,721)</u>	<u>(17,578)</u>	<u>-</u>
	\$ <u>1,475,245</u>	<u>1,332,307</u>	<u>109,986</u>

	<u>Total Revenue</u>	<u>Interest Expense</u>	<u>Net Income (Loss)</u>
General Fund	\$ 35,708	7,881	9,324
Multi-family:			
Housing Insured Mortgage Revenue	29,261	25,940	3,306
Mortgage Revenue	412	412	-
Single Family:			
Housing Revenue	8,606	8,387	301
Taxable Program Senior and Subordinate	971	745	200
Revenue	1,981	1,594	378
Residential Housing Revenue	4,443	3,851	589
Mortgage Revenue (GNMA Program)	615	627	(14)
Program Senior and Subordinate	39,718	37,092	2,234
Revenue Refunding	80	77	(8)
Intercompany Eliminations	<u>(1,317)</u>	<u>(1,022)</u>	<u>-</u>
	\$ <u>120,478</u>	<u>85,584</u>	<u>16,310</u>

Certain multi-family insured mortgage revenue bonds are secured by insured mortgage loans receivable from the Authority's instrumentalities, whose assets and operations are accounted for within the General Fund. For financial statement purposes, all transactions between the General Fund and the Bond Funds are eliminated.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(7) Retirement Plans

Employees of the Authority are members of the Public Employees' Retirement Association of Colorado (PERA), which is a cost-sharing, multi-employer public employee retirement system plan.

Generally all employees are required to participate in PERA. Under the plan, State statute provides that members are eligible for full retirement benefits at age 55 with at least 30 years service with a participating employer, at age 60 with at least 20 years of service or at age 65 with at least 5 years service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 55 with at least 20 years service or at age 60 with at least 5 years service. Additionally, disability and survivors benefits are available. Benefits are vested after five years of service.

On May 6, 1997, the Governor signed into law House Bill 97-1082. This legislation changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service have their benefit recalculated. Benefit payments dated July 31, 1997, and later will reflect this new calculation. The legislation also establishes a two-tier disability retirement program applicable to members who apply for disability on or after January 1, 1999.

Under the plan, State statute requires the Authority and participating employees to contribute 10% and 8%, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$5,172,000 and \$4,929,000 for 1997 and 1996, respectively. Contributions by the Authority and employees approximated \$517,000 and \$414,000, respectively, for 1997, while for 1996 the amounts were \$493,000 and \$394,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 1996, the date of the latest available audited information, the total actuarial accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were \$920,713,000 and \$1,067,641, respectively.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(7) Retirement Plans (continued)

PERA, as a separate entity, issues its own annual financial statements included in which is historical ten-year trend information for all contributions to the retirement system.

Included in the Authority's general obligation debt are bonds payable to PERA of \$34,528,000 and \$26,447,000 at December 31, 1997 and 1996, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program (VIP), established under Section 401(k) of the Internal Revenue Code. Participants may invest between 1% and 18% of their annual gross salaries up to the annual IRS limit. The Authority is not required to make any contributions into the VIP plan and none have been made since inception of the plan.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for eligible employees, defined as those who have completed three months of employment with the Authority. This defined contribution plan is qualified under Section 457 of the Internal Revenue Code. The assets of the plan remain the property of the Authority until paid or made available to the plan participants. The Authority is not required to make any contributions into this plan and none have been made since inception of the plan.

(8) Related Party Transactions

One of the regular servicers of the Authority's on-going single family programs is a private lending institution whose chief executive officer was a member of the Authority's Board until June 1997, and who abstained from voting on Authority matters involving single family programs in which his institution participates. This institution receives the Authority's standard loan servicing fee paid to all such servicers. At December 31, 1997 and 1996, this institution serviced approximately \$86,127,000 and \$87,172,000 of the Authority's single family mortgages and received \$257,000 and \$249,000 in fees for those years, respectively.

(9) Litigation

In April, 1988, a claim pertaining to the application by a start-up company (Phonetica, Inc.) for certain public economic development funds was filed in Denver District Court against the Authority and other defendants. In July, 1990, the Authority filed a motion to dismiss the claim and, on February 19, 1991, the motion was granted by the Court. On November 4, 1993, the Colorado Court of Appeals affirmed the dismissal except with respect to Phonetica's claims for breach of contract against the State of Colorado and the Authority and for breach of a joint venture agreement against the Authority. As to those claims, the dismissal was reversed and the claim remanded for further proceedings. On March 17, 1997, after certain discovery proceedings, the Authority moved for summary judgement on the remaining breach of contract and joint venture claims, which motion was granted by the District Court by order dated June 5, 1997.

COLORADO HOUSING AND FINANCE AUTHORITY

Notes to Financial Statements

Years Ended December 31, 1997 and 1996

(10) Year 2000 Issue (Unaudited)

The Authority has developed a plan for year 2000 information technology readiness and compliance. The project is expected to be substantially complete by December 31, 1998. The Authority does not expect this project to have a significant effect on its operations. However, management continues to monitor developments and implications of this project.

Supplemental Information

Statements of Financial Condition by Program
December 31, 1997 and 1996
(000's Omitted)

<u>Assets</u>	<u>General Fund</u>	<u>Single Family</u>	<u>Multi-family</u>	<u>Eliminations</u>	<u>Memorandum Totals</u>
	\$				1997 1996
Cash	2,430	-	-	-	2,430 1,222
Marketable securities:					
Short-term	36,984	148,283	70,811	-	256,078 183,933
Long-term	<u>17,786</u>	<u>76,539</u>	<u>37,991</u>	-	<u>132,316</u> <u>124,881</u>
Total cash and marketable securities	57,200	224,822	108,802	-	390,824 310,036
Loans receivable, net	119,258	604,863	306,612	(17,578)	1,013,155 929,301
Accrued interest receivable	2,083	12,107	5,961	(7,143)	13,008 11,615
Property and equipment, net:					
Corporate facilities	3,305	-	-	-	3,305 3,567
Rental operations	29,376	-	-	-	29,376 29,886
Deferred debt financing costs, net	1,803	10,703	3,145	-	15,651 16,123
Other real estate owned, net	339	122	-	-	461 201
Other assets	8,778	667	20	-	9,465 8,313
Due (to) from other funds	<u>(5,442)</u>	<u>7,098</u>	<u>(1,656)</u>	-	-
Liabilities and Fund Equity	\$ 216,700	860,382	422,884	(24,721)	1,475,245 1,309,042
Liabilities:					
Bonds and notes payable, net	\$ 141,616	803,098	405,171	(17,578)	1,332,307 1,185,951
Accrued interest payable	2,719	11,927	6,885	(89)	21,442 19,453
Accounts payable and other liabilities	12,847	361	1,045	(7,054)	7,199 7,179
Federally assisted program advances	776	-	-	-	776 345
Deferred fee income	81	614	-	-	695 730
Escrow and refundable deposits	<u>2,701</u>	<u>239</u>	-	-	<u>2,940</u> <u>1,808</u>
Total liabilities	160,740	816,239	413,101	(24,721)	1,365,359 1,215,466
Fund equity - retained earnings:					
Restricted	(1,285)	44,143	9,783	-	52,641 45,227
General fund - Board designated	<u>57,245</u>	-	-	-	<u>57,245</u> <u>48,349</u>
Total fund equity - retained earnings	55,960	44,143	9,783	-	109,886 93,576
See notes to financial statements	\$ 216,700	860,382	422,884	(24,721)	1,475,245 1,309,042

Statements of Revenue, Expenses
and Changes in Retained Earnings By Program
Year Ended December 31, 1997 and 1996
(000's Omitted)

	General Fund	Single Family	Multi- family	Eliminations	Memorandum Totals 1997	1996
Interest and investment revenue:						
Loans receivable	\$ 10,278	45,040	23,992	(1,317)	77,993	71,904
Marketable securities	<u>2,902</u>	<u>14,571</u>	<u>6,186</u>	-	<u>23,652</u>	<u>22,060</u>
Total interest and investment revenue	13,180	59,611	30,178	(1,317)	101,652	93,964
Interest expense - bonds and notes payable	<u>7,881</u>	<u>52,373</u>	<u>26,352</u>	<u>(1,022)</u>	<u>85,584</u>	<u>79,973</u>
Net interest and investment revenue	5,299	7,238	3,826	(295)	16,068	13,991
Other revenue	18,826	-	-	-	18,826	15,099
Program fees (expense)	<u>3,702</u>	<u>(3,197)</u>	<u>(505)</u>	-	-	-
Net revenue	27,827	4,041	3,321	(295)	34,894	29,090
Other expenses:						
Salaries and related benefits	6,776	-	-	-	6,776	6,371
General operating	8,764	339	-	-	9,103	8,394
Provision for losses	534	22	15	-	571	762
Other interest expense	<u>2,429</u>	-	-	<u>(295)</u>	<u>2,134</u>	<u>2,253</u>
Net income	<u>18,503</u>	361	15	(295)	18,584	17,780
Retained earnings, beginning of year	<u>9,324</u>	<u>3,680</u>	<u>3,306</u>	-	<u>16,310</u>	<u>11,310</u>
Retained earnings, end of year	<u>46,636</u>	<u>40,463</u>	<u>6,477</u>	-	<u>93,576</u>	<u>82,266</u>
	\$ <u>55,960</u>	<u>44,143</u>	<u>9,783</u>	-	<u>109,886</u>	<u>93,576</u>

See notes to financial statements

Appendix B

Certain Definitions in the Resolutions

"*Acquire*" or "*Acquired*," when used with respect to a Mortgage Loan, means the acquisition by the Authority of a Mortgage Loan either by the payment of Notes or the purchase or making of such Mortgage Loan.

"*Acquired Project Expenses*" means the costs and expenses incurred by the Authority in connection with the acquisition, ownership or operation of an Acquired Project.

"*Acquired Project Income*" means the income derived by the Authority from its acquisition, ownership or operation of an Acquired Project.

"*Aggregate Debt Service*" means, for any period, the Debt Service Payments becoming due and payable on all Bonds on all Bond Payment Dates during such period.

"*Amortized Value*," when used with respect to securities purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity of such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

"*Annual Budget*" means the budget or amended budget of the Authority in effect as provided in or adopted pursuant to the General Resolution.

"*Authority Request*" means a written request of the Authority signed by an Authorized Officer.

"*Authorized Newspaper*" means not less than two newspapers or financial journals printed in the English language and customarily published on such business day in each calendar week, one of which is of general circulation in the city of Denver, Colorado, and the other of which is of general circulation in the city of New York, New York.

"*Authorized Officer*" means, the Chairman, Vice-Chairman or Executive Director of the Authority and any other officer designated from time to time as an Authorized Officer by resolution of the Authority, and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or sign such document.

"*Bond*" or "*Bonds*" means any of the bonds of the Authority authorized by the General Resolution and issued pursuant to a Series Resolution.

"*Bondholder*" or "*Holder*" or "*Holder of Bonds*" or "*Owner*" or similar term, when used with respect to a Bond or Bonds, means any person who shall be the bearer of any Outstanding coupon Bond, or the registered owner of any Outstanding fully registered Bond.

"*Bond Counsel*" means any law firm of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by resolution of the Authority.

"*Bond Payment Date*" means April 1 and October 1 of any year so long as any Bonds are Outstanding.

"*Bond Year*" means the twelve month period beginning on October 2 in any year and ending on October 1 of the succeeding year.

"*Capitalized Interest Account*" means any Account so designated which is created and established within the Program Fund by a Series Resolution pursuant to the General Resolution.

"*Certificate*" means, as the case may be, either (i) a signed document attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) a signed document setting forth matters to be determined by an Authorized Officer pursuant to the General Resolution.

"*Completed*" or "*Completion*," when used with respect to a Project, means that (i) the Federal Housing Administration has finally endorsed the Related Mortgage Loan or any other government insurer of such Related Mortgage Loan has taken substantially similar action and (ii) the Authority has certified (a) the final Project Cost for such Project and (b) that the moneys available in the Program Fund for such Project are sufficient to meet any unpaid Project Costs so certified.

"*Costs of Issuance*" means all items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, which items of expense shall include but not be limited to printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee and Paying Agents, bond discounts, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding and other costs, charges and fees in connection with the foregoing.

"*Costs of Issuance Account*" means any Account so designated which is created and established within the Program Fund by a Series Resolution pursuant to the General Resolution.

"*Counsel's Opinion*" means an opinion signed by any attorney or firm of attorneys (who may be counsel to the Authority or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which he or it maintains an office, selected by the Authority.

"*Debt Service Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Debt Service Payment*", when used with respect to any Bond Payment Date, means the aggregate of the (i) interest, and (ii) Principal Installments, if any, payable on such Date with respect to the Bonds referred to.

"*Debt Service Reserve Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Debt Service Reserve Fund Bonds*" means the Bonds of a Series, if any, issued for the purpose of providing moneys for deposit in the Debt Service Reserve Fund and so designated in the Series Resolution pursuant to the General Resolution.

"*Debt Service Reserve Fund Requirement*" means, as of any date of calculation, the maximum amount of the Principal Installments and interest becoming due in the current or any future Bond Year on all Bonds then Outstanding (excluding the Debt Service Reserve Fund Bonds).

"*Defaulted Mortgage Loan*" means a Mortgage Loan on which payments of principal and interest are thirty (30) days or more in arrears.

"*Depository*" means any bank, trust company or national banking association selected by the Authority and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution, and its successor or successors.

"*Fees and Charges*" means the amounts paid from time to time for Program Expenses by or on behalf of a Sponsor to the Authority pursuant to a Mortgage Loan, other than commitment fees.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Paying Agents, the Depositories of any or all of them, as may be appropriate.

"*Financial Guaranty Agreement*" means a Financial Guaranty Agreement which may be entered into between the Authority and MBIA in connection with any Qualified Surety Bond issued by MBIA for the benefit of the owners of the 1998 Series B Bonds.

"*Fiscal Year*" means a period beginning on January 1 in any year and ending on December 31 of such year or such other twelve month period as may be adopted by the Authority in accordance with law.

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

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

"Government Obligations" means Investment Securities (i) which are described in clauses (a) and (c) of the definition of "Investment Securities" (clause (b) of the amended definition of "Investment Securities") and (ii) which are not subject to redemption by the issuer thereof prior to their maturity.

"Housing Subsidy Payments" means (i) the moneys, if any, received from time to time by the Authority from the Government with respect to (a) rental payments on, or the purchase price of, units in Projects or (b) interest payments on Mortgage Loans, and (ii) any other subsidy payments with respect to the Projects or the Mortgage Loans, provided the same may be used, in accordance with the statutes and regulations pursuant to which such moneys are paid, to make Debt Service Payments.

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority's moneys:

- (a) Direct obligations of, or obligations guaranteed by, the United States of America;
- (b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; or Small Business Administration;
- (c) Public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- (d) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements, which are either fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, the proceeds of which insurance are timely available, or secured by obligations described in clauses (a) to (c), inclusive, of this definition, or a combination thereof.

The definition of "Investment Securities" in the General Resolution described above has been amended by a Second Supplemental Resolution (effective as described below) to read as follows:

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

- (a) any bonds or obligations, rated (at the time of the investment under the General Resolution) "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Group ("S&P"), of the State or of counties, municipal corporations, or political subdivisions of the State;
- (b) direct, general obligations of, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;
- (c) obligations issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Home Loan Mortgage Corporation which guarantee timely payment of principal and interest; Federal Farm Credit Banks; Federal Financing Bank; Small Business Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;
- (d) certificates of deposit of any national or state bank, which may include the Trustee, which has deposits insured by the Federal Deposit Insurance Corporation and which (i) has an unsecured, uninsured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P; or (ii) is the lead bank of a parent holding company with an unsecured, uninsured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P;
- (e) investments in a money-market fund (including funds for which First Interstate Bank of Denver, N.A., may provide advisory, administrative, custodial or other services for compensation) which invests only in securities described in clause (b) of this definition or which invests only in repurchase agreements secured by securities described in clause (b) of this definition and, in either case, is rated in the highest category by Moody's and S&P;
- (f) commercial paper rated (at the time of the investment under the General Resolution) "P-1" by Moody's and "A-1" by S&P;

(g) repurchase agreements collateralized by securities described in clause (b) of this definition with any institution with long-term unsecured debt rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P, or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, which may include the Trustee, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "P-1" by Moody's and "A-1" by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, or (iii) a bank approved in writing for such purpose, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(h) any Investment Agreement provided by an Investment Provider, which agreement shall have no adverse impact on the rating assigned to the Bonds by each nationally recognized rating agency then rating the Bonds at the request of the Authority. For purposes of this clause (h), the term "Investment Provider" means any commercial bank or trust company, bank holding company, investment company or other financial institution (which may include the Trustee) organized under the laws of the United States or any state or the District of Columbia or the laws of any foreign nation, whose unsecured long-term debt, as of the date of the Investment Agreement with such entity, is rated by each nationally recognized rating agency then rating the Bonds at the request of the Authority at least as higher as the then current rating on the Bonds by such rating

agency or the equivalent of such rating by virtue of guarantees or insurance arrangements, which Investment Provider shall be approved by the Authority for the purpose of providing the Investment Agreement.

Such amendment to the General Resolution shall be effective on the date on which the Authority has received written consent to such amendment from the owners of two-thirds in principal amount of the Bonds issued under the General Resolution. All Bonds, including the 1998 Series B Bonds, issued under the General Resolution after the date of the Second Supplemental Resolution shall be deemed to be Bonds for which an irrevocable consent to the amendment to the Resolution made by the Second Supplemental Resolution has been given, and all of such Bonds shall state that by the acceptance thereof, the owner thereof has irrevocably consented to the amendment to the General Resolution made by the Second Supplemental Resolution.

"Lender" means a "lender" as defined in the Act.

"Mortgage" means an instrument evidencing a first mortgage lien, subject to such title exceptions as shall be acceptable to the Authority and the insurer of such Mortgage.

"Mortgage Loan" means an interest-bearing obligation evidencing a loan which is (i) made by (a) the Authority or (b) a Lender and purchased by the Authority, to a Sponsor in an amount not to exceed the Project Cost or the Project with respect to which the same is made, (ii) secured by a Mortgage on a Project, (iii) insured by the Government or for which there is a commitment by the Government for such insurance under a program requiring payment of not less than ninety-nine percentum (99%) of the principal amount of such Mortgage Loan in the event of a default by the Sponsor and (iv) pledged under the General Resolution.

"Mortgage Repayment" means the amounts paid on a Mortgage Loan from time to time as principal thereof and interest thereon by or on behalf of a Sponsor to or for the account of the Authority.

"Notes" means any notes or other short term obligations issued by the Authority to finance a Project which is designated by a Series Resolution as one of those with respect to which a Mortgage Loan is reasonably expected to be Acquired with the proceeds of such Series of Bonds.

"Outstanding", when used with respect to Bonds, means, as of any date, all Bonds theretofore authenticated and delivered under the General Resolution except:

(i) any Bond cancelled or delivered to the Trustee for cancellation on or before such date;

(ii) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust under the General Resolution and set aside for such payment or redemption, moneys and/or Government Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which,

together with income to be earned on such Government Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Bond (or any portion of any Bond) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the General Resolution or provided for in a manner satisfactory to the Trustee;

(iii) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the General Resolution;

(iv) Bonds deemed to have been paid as provided in the General Resolution.

"*Overrun*" means a Project Cost which exceeds the Authority's estimate therefor and which has been approved by the Authority, either pursuant to the Authority's initial approval of such Project or by the adoption of a resolution by the Board of the Authority to increase the Mortgage Loan on the Project to include such additional expense.

"*Payroll Agent*" means any bank, trust company or national banking association, which may include the Trustee or its successor or successors, authorized by the Authority pursuant to a Series Resolution to pay the principal or Redemption Price of or interest on any Bonds and having the duties, responsibilities and rights provided for in the General Resolution and such Series Resolution and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the General Resolution.

"*Prepayment*" means any moneys received or recovered by the Authority from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the Sponsor or (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (iii) by the 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 Sponsor including without limitation money received pursuant to the General Resolution.

"*Principal Account*" means the Account so designated which is created and established within the Revenue Fund by the General Resolution.

"*Principal Installment*" means, as of any date of calculation, (i) the principal amount of all Bonds due on a certain future date with respect to which no Sinking Fund Installments have been provided, plus (ii) the unsatisfied balance (determined as provided in the General Resolution) of any Sinking Fund Installments due on such future date.

"*Program*" means the Authority's Multi-Family Housing Insured Mortgage Loan Program pursuant to which the Authority has determined to Acquire Mortgage Loans in accordance with the Act and the General Resolution.

"*Program Expenses*" means all of the Authority's expenses of administering the Program under the General Resolution and the Act and shall include without limitation the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee, any Depositories and Paying Agents; Costs of Issuance not paid from proceeds of the Bonds; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Authority under the provisions of the General Resolution and any Series Resolution, including without limitation the Authority's obligations to make rebate payments to the United States in accordance with Section 148(f) of the Tax Code with respect to any Series of Bonds, in each case to the extent properly allocable to the Program. Program Expenses shall not include any costs or expenses of the Authority arising from or related to the acquisition, ownership or operation of an Acquired Project.

"*Program Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Project*" means a "housing facility" as such term is defined in the Act for occupancy by low and moderate income families, within the meaning of the Act, which is located, or is to be located, in the State and with respect to which the Authority has Acquired a Mortgage Loan or has determined in a Supplemental Resolution that it reasonably expects to Acquire a Mortgage Loan.

"*Project Cost*" means, as of any date of calculation, the aggregate amount of costs then authorized by the Authority and the Government insurer of the Related Mortgage Loan to be incurred with respect to the Project.

"*Qualified Financial Instrument*" means (i) a Qualified Surety Bond or (ii) any unconditional and irrevocable letter of credit, line of credit agreement or other financial instrument deposited in the Debt Service Reserve Fund as the Debt Service Reserve Fund Requirement for the 1998 Series B Bonds, in lieu of or in substitution for moneys required to be deposited therein, issued by an entity rated by Standard & Poor's Ratings Service and by Moody's Investors Service, Inc. in their respective highest rating categories and which either (A) has an expiration date not earlier than the final maturity of the 1998 Series B Bonds or (B) has an expiration date earlier than the final maturity of the 1998 Series B Bonds, but which, if not renewed, may be drawn upon in full on or before the expiration date and the reimbursement obligation for which must be satisfied from moneys other than moneys held under the Resolutions.

"*Qualified Surety Bond*" means any unconditional and irrevocable surety bond or other insurance policy deposited in the Debt Service Reserve Fund as the Debt Service Reserve

Fund Requirement for certain of the Bonds, in lieu of or in substitution for moneys required to be deposited therein, issued by an insurance company rated by Standard & Poor's Ratings Service and by Moody's Investors Service, Inc. in their respective highest rating categories and, if rated by A.M. Best & Company, rated in its highest rating category.

"*Record Date*" means March 15 and September 15, as the case may be, immediately preceding each Bond Payment Date.

"*Redemption Fund*" means the Fund so designated which is created and established by the General Resolution.

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

"*Refunding Bonds*" means any Bonds authenticated in accordance with the General Resolution.

"*Related Mortgage Loan*", when used with respect to any Project, means the Mortgage Loan made to finance such Project.

"*Related Series of Bonds*", when used with respect to a Project or a Mortgage Loan, means the Series of Bonds or, pursuant to the General Resolution, the several Series of Bonds, the proceeds of which were used, or are to be used, to finance such Project or to Acquire such Mortgage Loan.

"*Revenue Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Revenues*" means all income and receipts of whatever kind (other than commitment fees paid to the Authority and Escrow Payments) received by the Authority from or with respect to Mortgage Loans or Projects, including without limitation Mortgage Repayments, Fees and Charges, Housing Subsidy Payments (other than amounts which the Authority is obligated to pay to the Mortgagor), Prepayments and Acquired Project Income.

"*Series of Bonds*" or "*Bonds of a Series*" means any series of Bonds authorized by a Series Resolution.

"*Series Resolution*" means a resolution adopted by the Authority pursuant to the General Resolution authorizing the issuance of a Series of Bonds.

"*Sinking Fund Installment*", when used with respect to any Series of Bonds, means the amount so designated for any particular due date in the Series Resolution pursuant to the General Resolution.

"*Sponsor*" means a person, firm, association or other entity, constituting a "sponsor" as such term is defined in the Act, who is the mortgagor on a Mortgage Loan the Authority has Acquired or reasonably expects to Acquire, and any successors in title or assigns.

"*State*" means the State of Colorado.

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

"*Tax Code*" means the Internal Revenue Code of 1986, as amended to the date of delivery of the 1998 Series B Bonds.

"*Term Bonds*" means the bonds of any Series so designated in a Series Resolution.

"*Trustee*" means the bank, trust company or national banking association appointed as trustee by the General Resolution and having the duties, responsibilities and rights provided for in the General Resolution and its successor or successors and any other corporation or association which may at any time be substituted in its place as Trustee pursuant to the General Resolution.

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Appendix C

Description of the Proposed 1998B Projects and Sponsors

The 1998B Projects are expected to be the following two projects described in this Appendix C.

Los Caballeros Apartments

One 1998B Project is expected to be the substantial renovation of the Los Caballeros Apartments, an existing 144-unit facility in sixteen buildings of two and one-half stories, located in Thornton, Colorado. The project as planned includes the construction of an additional 64 new units in eight buildings, resulting in a total of 208 units. In addition to the residential units, the project is expected to include a community room building, leasing office, pool and extensive landscaping. The amount of the 1998B Mortgage Loan for the Los Caballeros Apartments, which is expected to provide construction and permanent financing for the project, is estimated to be \$5,665,500. Unspent proceeds of the 1997 Series B Bonds in the amount of \$6,470,000 are also expected to be used to make a Mortgage Loan for the Los Caballeros Apartments project. The aggregate amount of Mortgage Loans for the project is expected to be \$12,135,500.

The table below identifies the number and types of units proposed for the Los Caballeros Apartments and their approximate size in square feet.

Los Caballeros Apartments		
<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
15	One Bedroom/One Bath	575
72	Two Bedroom/One Bath	740
42	Three Bedroom/One and Three Quarter Bath	935
64	Three Bedroom/Two Bath	986
15	Four Bedroom/Two Bath	1,080

Seventy-one of the existing units are currently under a HAP Contract which is to remain in place until November 30, 2003. Once the HAP Contract expires in 2003, the set-asides will be adjusted as described in "THE 1998B PROJECTS - The Regulatory Agreements." This Mortgage Loan has been underwritten on the basis that estimated annual net income will be adequate to pay the annual mortgage loan payment if the HAP Contract expires and is not renewed in 2003.

The sponsor of the Los Caballeros Apartments project is New Vision Housing Partners, LLP whose general partners are the Adams County Housing Authority, DMC Builders Company, Inc., and Tax Credit Thornton 204, Inc. The principals of Tax Credit Thornton 204, Inc. have participated in the development of 28,864 units in 104 developments located primarily in Texas. DMC Management Company, Ltd., which manages over 10,000 units in nine states, will provide property management services for Los Caballeros Apartments. DMC Builders Company, Inc., will be the general contractor for the project.

The following assumptions as to the economic feasibility of the 1998B Project relating to the Los Caballeros Apartments project have been made in the application to FHA for insurance.

Assumptions as to the Los Caballeros Apartments

Estimated Annual Project Gross	
Income At Occupancy of 100%	\$1,777,920
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93%	1,653,466
Estimated Total Annual Project Expenses (including Administrative, Operating, Maintenance and Taxes)	632,384
Estimated Annual Net Income	1,021,082
Annual Mortgage Loan Payment	862,973

Holly Park West Apartments

Another 1998B Project is expected to involve the acquisition and substantial rehabilitation of Holly Park West Apartments, an existing 96-unit housing complex located in Commerce City, Colorado. The complex, built in 1972, consists of eight three-story buildings, with 12 units in each building. The amount of the 1998B Mortgage Loan for Holly Park West Apartments, which is expected to be a permanent loan made only upon satisfactory completion of rehabilitation, is estimated to be \$1,628,000.

The table below identifies the number and type of units at Holly Park West Apartments and their approximate size in square feet.

Holly Park West Apartments

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
24	One Bedroom/One Bath	617
48	Two Bedroom/One Bath	795
12	Three Bedroom/Two Bath	945
12	Four Bedroom/Two Bath	1,122

Currently, all rents at the Holly Park West Apartments are subsidized by HUD under a HAP Contract, which expires in August 1999. The HAP Contract is subject to annual renewal. In the event the HAP Contract is not renewed, HUD has indicated it will give vouchers to the current residents enabling the residents to either continue living at Holly Park West, or move to another apartment that would accept the HUD voucher, at the same contract rent. Should residents move, the units would be leased to other eligible low-income households. This Mortgage Loan has been underwritten on the basis that estimated annual net income will be adequate to pay the annual mortgage loan payment even if the current residents opt to move.

The sponsor of Holly Park West Apartments will be a single-asset limited partnership of Mercy Housing Colorado. Mercy Housing Colorado is a wholly-owned subsidiary of Mercy Housing, Inc., which was established in 1981 and operates in 21 states. Mercy Services Corporation, also a subsidiary of Mercy Housing, Inc., will provide property management services for the project. Mercy Services Corporation currently manages 57 properties totaling more than 2,400 units in 27 cities.

The following assumptions as to the economic feasibility of the 1998B Project relating to Holly Park West Apartments have been made by the Authority in connection with its firm commitment for loan underwriting and FHA insurance.

Assumptions as to Holly Park West Apartments

Estimated Annual Project Gross	
Income at Occupancy of 100%	\$553,104
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93%	514,387
Estimated Total Annual Project Expenses (including Administrative, Operating, Maintenance and Taxes)	374,661
Estimated Annual Net Income	139,726
Annual Mortgage Loan Payment	126,710

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Appendix D

Proposed Form of Approving Opinion of Bond Counsel

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August 18, 1998

Colorado Housing and Finance Authority
1981 Blake Street
Denver, Colorado 80202

Colorado Housing and Finance Authority
Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1
and Multi-Family Housing Insured Mortgage Revenue Bonds, 1998 Series B-2

Ladies and Gentlemen:

We have examined the law of the State of Colorado (the "State") and of the United States relevant to the opinions herein, and a certified copy of the record of proceedings of the Board of Directors of the Colorado Housing and Finance Authority (the "Board" and the "Authority," respectively), and other documents relevant to the issue by the Authority of its Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 in the aggregate principal amount of \$2,995,000 (the "1998 Series B-1 Bonds"), and its Multi-Family Housing Insured Mortgage Revenue Bonds, 1998 Series B-2 in the aggregate principal amount of \$4,305,000 (the "1998 Series B-2 Bonds" and, together with the 1998 Series B-1 Bonds, the "1998 Series B Bonds"). The 1998 Series B Bonds are authorized and issued pursuant to (i) the Colorado Housing and Finance Authority Act, being part 7 of article 4 of title 29 of Colorado Revised Statutes (the "Act"), (ii) the Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution duly adopted by the Authority (as amended and supplemented, the "General Resolution"), and (iii) the 1998 Series B Resolution, duly adopted by the Authority (the "Series Resolution"). The General Resolution and the Series Resolution are collectively referred to herein as the "Resolutions," and capitalized terms used herein, unless parenthetically defined herein, have the same meanings ascribed to them in the Resolutions.

The 1998 Series B Bonds are dated, bear interest at the rates and mature on the dates and in the respective principal amounts as provided in the Resolutions. The 1998 Series B Bonds are subject to redemption prior to maturity in the manner and upon the terms set forth therein and in the Resolutions.

Colorado Housing and Finance Authority
Multi-Family Housing Insured Mortgage
Revenue Bonds, Taxable 1998 Series B-1,
Multi-Family Housing Insured
Mortgage Revenue Bonds, 1998 Series B-2

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The 1998 Series B Bonds are issued, in part, for the purposes of providing funds to make Mortgage Loans to Sponsors to finance in part the acquisition, construction and/or rehabilitation of certain multi-family rental housing projects, and of providing funds to pay certain costs of issuance of the 1998 Series B Bonds.

The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the General Resolution. Under the provisions of the General Resolution, the 1998 Series B Bonds, the previously issued and Outstanding Bonds and all such additional Bonds hereafter issued under the General Resolution rank and will rank equally as to security and payment, except as provided therein with respect to moneys and Qualified Surety Bonds in the Debt Service Reserve Fund.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed or photostatic copies.

Based upon such examination and, for purposes of paragraph 5 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as bond counsel that:

1. The Authority has been duly created and is a body corporate and political subdivision, validly organized and existing under the Constitution and laws of the State and has power and authority to issue the 1998 Series B Bonds and perform all of its obligations under the Resolutions.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and

Colorado Housing and Finance Authority
Multi-Family Housing Insured Mortgage
Revenue Bonds, Taxable 1998 Series B-1,
Multi-Family Housing Insured
Mortgage Revenue Bonds, 1998 Series B-2

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by the application of general principles of equity. No other authorization for the Resolutions is required.

3. The General Resolution creates the valid pledge which it purports to create of (i) the proceeds of the Bonds, (ii) the Revenues (excluding Housing Subsidy Payments if the pledge thereof shall be restricted by law or regulation) and all other moneys (excluding commitment fees paid to the Authority and Escrow Payments) received by the Authority or the Trustee on its behalf with respect to the Mortgage Loans and Projects, (iii) all moneys (excluding Escrow Payments) on deposit in the Funds and Accounts created by or pursuant to the General Resolution, including the investments thereof, if any, (iv) the rights and interests of the Authority in and to the Mortgage Loans, the documents evidencing and securing the same and the collections (excluding commitment fees paid to the Authority and Escrow Payments) received therefrom by the Authority or the Trustee on its behalf and (v) any and all other property of any kind from time to time heretofore or hereafter pledged as additional security thereunder by a Supplemental Resolution, by delivery or by a writing of any kind by the Authority or by any person on its behalf; subject in all cases to the provisions of the Resolutions permitting the application thereof for or to the purposes and on the terms and conditions permitted by the Resolutions.

4. The 1998 Series B Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Resolutions. The 1998 Series B Bonds constitute valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolutions, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity. The 1998 Series B Bonds are entitled to the benefits of the Resolutions and the Act.

5. Interest on the 1998 Series B-2 Bonds, except for interest on any 1998 Series B-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 1998 Series B-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), is not included in gross income pursuant to Section 103 of the Tax Code; however, interest on the 1998 Series B-2 Bonds

Colorado Housing and Finance Authority
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Multi-Family Housing Insured
Mortgage Revenue Bonds, 1998 Series B-2

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is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code.

6. Interest on the 1998 Series B-1 Bonds is not excluded from gross income for federal income tax purposes.

7. Interest on the 1998 Series B Bonds is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado laws in effect on the date hereof.

8. The enforceability of the obligations of the Authority is subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the Federal Constitution.

As bond counsel, we are passing only upon matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any offer or sale of the 1998 Series B Bonds or upon any federal or Colorado tax consequences arising from the receipt or accrual of interest on or the ownership of the 1998 Series B Bonds except those specifically addressed above.

Respectfully submitted,

Appendix E

Description of Section 8 Subsidy Program

Section 8 of the United States Housing Act of 1937, as amended (the "1937 Housing Act"), provides for the payment of a housing subsidy for the benefit of lower income families (defined generally as those families whose income does not exceed 80% of the median income for the area as determined by HUD) and very low-income families (defined generally as families whose income does not exceed 50% of the median income for the area as determined by HUD). Subsidy payments are made to or for the account of the owner of dwelling units occupied by lower income and very low-income families. Provision is made under the law and the HUD regulations thereunder for administration of the subsidy program through state housing finance agencies, including the Authority.

Pursuant to amendments to the 1937 Housing Act effected by the Housing and Community Development Amendments of 1981 (the "1981 Amendments"), not more than 10% (subsequently changed to 25%) of the dwelling units which were available for occupancy under Payments Contracts (as defined below) before the effective date of the 1981 Amendments (October 1, 1981) and which will be leased thereafter are available for leasing by lower income families other than very low-income families, and not more than 5% of the dwelling units which become available for occupancy under Payments Contracts after the effective date of the 1981 Amendments are available for leasing by lower income families other than very low-income families, although, except with prior approval of HUD, only very low-income families are eligible tenants for most Section 8 projects after July 1, 1984.

Under the Section 8 subsidy program, as administered through the Authority, three principal contracts have been executed. First, the Authority enters into an Agreement to Enter Into Housing Assistance Payments Contract ("Agreement to Enter") with the developer or owner of the development to be constructed or rehabilitated. With respect to new construction and substantial rehabilitation Projects, the Agreement to Enter is approved by HUD and, subject to certain conditions, commits the owner and the Authority to enter into a Housing Assistance Payments Contract ("Payments Contract") upon completion and acceptance of the development. Under the Payments Contract, the Authority agrees to pay a subsidy to or for the account of the owner. At or prior to the time that the Agreement to Enter is executed, the Authority and HUD execute an Annual Contributions Contract ("ACC") which provides for the payment to the Authority by HUD of the subsidy which the Authority has contracted to pay to the owner under the Payments Contract. The Payments Contract may be executed with respect to separate stages of a development completed at different times. *With respect to the Projects heretofore financed from Bond proceeds, the terms of the ACCs and Payments Contracts generally have been 20 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 40 years. Certain Projects financed from Bond proceeds are assisted under HUD's Section 8 Moderate Rehabilitation Program, under which the terms of the applicable ACCs and Payments Contracts are a maximum of 15 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 30 years.*

Section 8 subsidies are based upon the Contract Rent applicable to subsidized dwelling units. The Contract Rent must be reasonable in relation to the rents for comparable units in the area, taking into account the quality, location, amenities and management and maintenance services of the development, and must reflect the savings, if any, from the reduced cost of tax-exempt financing or the abatement of real property taxes. The ACC establishes a maximum annual commitment which equals the initial Contract Rent and an allowance for utilities for all assisted units in the development. The Contract Rent may not exceed the applicable HUD-established Fair Market Rent, or in certain cases up to 120% of such Fair Market Rent. Under certain circumstances, the Contract Rent may be changed during the construction or rehabilitation process as a result of unanticipated design changes or due to unforeseen factors beyond the owner's control. In cases where the procedure established by a May 1980 HUD memorandum is applicable, the Fair Market Rent employed for purposes of establishing this ceiling may be the Fair Market Rent in effect when permanent financing is obtained for the related development.

On October 23, 1981, HUD promulgated a "Financing Adjustment Factor" in order to help developments achieve financial feasibility in the face of high interest rates (the "1981 Adjustment"). The 1981 Adjustment provided that, where necessary to reflect the actual cost of permanent financing, Fair Market Rents would be adjusted by HUD to the extent necessary to reflect an effective interest rate on the permanent financing of up to approximately 12.5%. The regulation and HUD Notice prescribing the 1981 Adjustment stated that, subject to compliance with certain administrative conditions, the Contract Rent for developments eligible for the 1981 Adjustment would be adjusted to reflect the actual financing costs attributable to the effective interest rate on the permanent financing of the developments (up to an effective rate of approximately 12.5%).

The amount of subsidy actually payable for the account of the owner is the Contract Rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income. Thus, the total rental income from subsidized housing units payable to or for the account of the owner is equal to the Contract Rent part being paid by the tenants directly to the owner and the remainder being paid by HUD directly or through the Authority. The proportion of the Contract Rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

Generally, the Section 8 subsidy is payable with respect to the assisted dwelling unit only when it is occupied by an eligible family. However, the law and the regulations provide for payment of the subsidy under certain limited circumstances when the dwelling unit is not occupied as described below.

A subsidy amounting to 80% of the Contract Rent is payable for a vacancy period of up to 60 days (i) during the rent-up period following the completion of the development or a stage of the development and (ii) upon occurrence of a vacancy in an assisted dwelling unit after it is initially rented, subject in each case to compliance by the owner with certain conditions relating primarily to a diligent effort to rent the subsidized unit. With respect to new

construction and substantial rehabilitation Projects, such payments may continue for an additional one-year period in an amount equal to the debt service attributable to the unit, contingent upon, among other things, the additional conditions that the unit is in decent, safe and sanitary condition during the vacancy period, that the development is not providing the owner thereof with revenues at least equal to the costs incurred by such owner, that the amount of the payments requested is not in excess of that portion of the deficiency which is attributable to the vacant unit for the period of the vacancy and that there is a reasonable prospect that the development can achieve financial soundness within a reasonable time.

The statute and applicable regulations contain various provisions for review and readjustment of the amount of the subsidy upward or downward, subject to the limitation that in no case shall the adjustment lower the Contract Rent below that effective on the date of the Payments Contract and that no adjustment shall result in a material difference between the rents charged for subsidized and comparable nonsubsidized dwelling units.

Provision is made in the regulations for HUD to determine an Annual Adjustment Factor at least annually and to publish such Factor in the Federal Register. On each anniversary date of the Payments Contract, Contract Rent is adjusted in accordance with the Factor. In addition, provision is made in the regulations for discretionary approval of special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent the owner clearly demonstrates that such general increases are not adequately compensated for by the Annual Adjustments. Pursuant to the 1981 Amendments, any adjustments will be limited to the amount of operating cost increases incurred with respect to comparable unassisted rental dwellings of various sizes and types in the same market area. The principal effect of this limitation is to eliminate the debt service component from the Contract Rent before application of the Annual Adjustment resulting in a smaller annual adjustment to the Contract Rent than would have otherwise been the case.

Funds for the payment of increased subsidies which may result from the adjustments described above are to be obtained in two ways. Provision is made in the law for the payment by HUD into a special reserve account in respect of each subsidized development of the amount by which the Contract Rent in effect from time to time exceeds the actual subsidy paid by HUD (the amount is, in effect, the equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent resulting from the adjustment described above will initially be drawn from this account. The regulations provide that when the HUD-approved commitment then in effect would cause the amount in such reserve account to be less than 40% of such maximum annual ACC commitment, HUD shall take such additional steps authorized by subdivision (c)(6) of Section 8 as may be necessary to obtain funds to bring the amount in the account to the 40% level.

The regulations permit the owner and the Authority to pledge the federal subsidy payments as security for financing of the development. Prior to any disbursement of a Mortgage Loan for a development which is to be subsidized under Section 8, the Authority requires the owner of the development to pledge such federal subsidy payments as security for the Mortgage

Loan on the development. The regulations provide that, in the event of foreclosure, or assignment or sale to the Authority in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the Payments Contract.

The subsidy is paid into a special account maintained by the Authority for the receipt of Section 8 payments and, upon receipt of satisfactory certifications from the owner, the Authority disburses such payments to the owner. The Agreement to Enter, the ACC and the Payments Contract contain numerous agreements on the part of the Authority and the owner including maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as those relating to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the owner, or both, might endanger the payment of the federal subsidy. Reference is made to the complete text of these agreements, the forms of which are available for inspection at the offices of the Authority. *The Authority is not presently aware of any existing default by itself or any owner under the subsidy contracts for any of the Mortgage Loans financed from the proceeds of its Outstanding Bonds, nor does it believe that compliance with any provision of such contracts cannot be attained.* Prior to any disbursement of a Mortgage Loan for a development to be subsidized under Section 8, the Authority has entered into an agreement with the owner requiring the owner to take or refrain from taking action as necessary to maintain eligibility for Section 8 subsidies for assisted dwelling units in the development during the term of the Payments Contract.

Revised regulations governing the Section 8 subsidy program for state housing agencies with respect to new construction and substantial rehabilitation projects are in effect (together, the "Revised Regulations"). The Revised Regulations effected substantial changes in the processing and financing of housing developments under the Section 8 subsidy program. Except for certain provisions dealing with the termination and modification of leases, the Revised Regulations are not applicable to the developments permanently financed by the Bonds of the Authority issued prior to 1982. The Revised Regulations have effected several changes to the Section 8 subsidy program regulations, including a requirement that owners use their best efforts to achieve occupancy by families with incomes averaging at least 40% of the median income in the area for the purpose of promoting economically mixed housing (the revised regulation provides that owners must undertake marketing activities which will result in leasing assisted units to non-elderly families).

The regulations which apply to moderate rehabilitation under Section 8 differ, in certain respects, from those for new construction and substantial rehabilitation. Among such differences, the moderate rehabilitation regulations provide that:

- (a) Fair Market is determined by a different HUD schedule;
- (b) the initial Contract Rent may exceed Fair Market Rent by a maximum of 20%, if warranted by special circumstances acceptable to HUD; and

- (c) the Payments Contract must be for a term of 15 years; and
- (d) the initial lease must be for at least one year and any renewal or extension must not exceed the remaining term of the Payments Contract.

There have been numerous pronouncements over the past few years from HUD officials, the White House and members of Congress as to the future of HUD and the Section 8 subsidy program. In 1996, Congress voted to renew Section 8 contracts expiring in Fiscal Year 1997 and instituted the Demonstration Program described below (the "FY 1997 Demonstration Program") with a view to developing a long-term strategy for reducing future Section 8 renewal costs while taking into account tenant and investor concerns. The FY 1997 Demonstration Program's purpose is to test approaches that retain the critical affordable housing resource represented by the supply of FHA-insured Section 8 assisted housing and maintain it in good physical condition, while at the same time reducing the cost of ongoing federal subsidy. Under the FY 1997 Demonstration Program, HUD must utilize one or more of the following "Mandatory Demonstration Approaches" with respect to each eligible project: (a) mortgage restructuring, (b) debt forgiveness, or (c) budget-based rents. HUD will likely use payments from the FHA insurance fund to reduce the projects' outstanding debt to levels at which debt service can be sustained with market rents.

In 1997, Congress approved the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("Title V"), designed to preserve low income rental housing affordability and availability while reducing the costs of project-based assistance and FHA insurance claims through the restructure of existing FHA-insured mortgages and project-based assistance contracts. Such restructuring is to be done by Participating Administrative Entities ("PAEs") acting on behalf of HUD, with priority given to qualified state and local housing finance agencies to serve as PAEs. Title V also extended the FY 1997 Demonstration Program through Fiscal Year 1998.

As of the date of this Official Statement, the Authority is unable to predict what impact Title V will have on the Mortgage Loans, the HAP contracts relating to such Mortgage Loans and the security for the Bonds.

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Appendix F

Certain Information about the Outstanding Mortgage Loans and Projects

The attached chart has been prepared by the Authority to provide, as of its date, certain information about the Outstanding Mortgage Loans and Projects.

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Colorado Housing and Finance Authority
Multifamily Housing Insured Mortgage Revenue Bonds
Series 77A, 77B, 79A, 82A, 82B, 84A, 91A, 92A, 93A, 95A, 95B, 95C, 96A, 96B, 96C, 97A and 97B

Loan Portfolio Information as of March, 17 1998

Borrower	Series	Percent # of Units	Family Elderly Both	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	F.A.F. (1)	Next Due Date	H.A.P. Expir. Date	F.I.A. Ins. Program
4th & Fox	M77A	69.70%	13	Family	7/10/89	\$372,476.60	3/1/2020	8.50%		4/1/98	8/9/2005	221d4
4th & Fox	M77B	24.80%		Family	7/10/89	\$131,462.40	3/1/2020	8.50%		4/1/98	8/9/2005	221d4
4th & Fox	M82A	6.70%		Family	7/10/89	\$30,460.60	3/1/2020	8.50%		4/1/98	8/9/2005	221d4
A.C.C.E.S.S.	M77A	88.20%	6	Family	5/30/89	\$209,651.40	11/1/2019	8.50%		4/1/98	10/1/2004	221d3
A.C.C.E.S.S.	M82A	6.20%		Family	5/30/89	\$14,737.40	11/1/2019	8.50%		4/1/98	10/1/2004	221d3
A.C.C.E.S.S.	M77B	5.60%		Family	5/30/89	\$13,311.20	11/1/2019	8.50%		4/1/98	10/1/2004	221d3
A.T.LEWIS	M88B	100.00%	61	Family	11/19/97	\$5,720,800.00	12/1/2027	7.60%		4/1/98	10/1/2004	221d3
Allied House	M87A	100.00%	165	Family & Assisted LI	6/24/97	\$6,000,000.00	6/1/98	7.10%		2/1/98		542(C)
Allied Soul	M82B	100.00%	96	Elderly	3/28/83	\$3,691,400.00	4/1/2024	10.95%	Yes	4/1/98	11/14/2003	542(C)
Allison	M77B	100.00%	37	Family	7/5/79	\$3,712,180.44	9/1/2020	7.00%		4/1/98	7/24/2000	221d4
Allamira	M93A	100.00%	380	Family	3/31/93	\$1,236,100.00	4/1/2028	7.40%		4/1/98		223f
Alyson	M82A	100.00%	60	Family	9/1/82	\$3,142,400.00	9/1/2023	12.00%	Yes	3/1/98	10/7/2003	221d4
Asbury	M82A	100.00%	44	Family	7/1/82	\$2,130,100.00	2/1/2023	12.00%	Yes	4/1/98	2/14/2003	221d4
Aspen	M82B	100.00%	100	Elderly	1/1/83	\$1,666,400.00	10/1/2023	10.95%	Yes	4/1/98	10/19/2003	221d4
Aurora #1	M77B	100.00%	1	Family	6/18/90	\$3,618,400.00	7/1/2020	8.25%		3/1/98	5/1/2020	203k
Aurora #2	M77B	60.20%	1	Family	6/18/90	\$36,600.00	7/1/2020	8.25%		3/1/98	5/1/2020	203k
Aurora #2	M79A	38.60%		Family	6/18/90	\$15,742.30	7/1/2020	8.25%		3/1/98	5/1/2020	203k
Aurora #3	M82A	100.00%	1	Family	8/18/90	\$10,407.70	7/1/2020	8.25%		3/1/98	5/1/2020	203k
Aurora #4	M82A	100.00%	1	Family	10/25/91	\$24,650.00	11/1/2021	8.25%		3/1/98	5/1/2020	203k
Aurora Home	M79A	100.00%	54	Family	11/1/91	\$23,650.00	11/1/2021	8.25%		3/1/98	5/1/2020	203k
Aurora V/M	M82A	100.00%	100	Elderly	3/20/80	\$1,414,700.00	6/1/2021	8.00%		4/1/98	12/16/2000	221d4
Avery Apts	M82A	100.00%	100	Elderly	9/27/82	\$3,326,000.00	11/1/2023	12.00%	Yes	3/1/98	10/13/2003	221d4
Azteca (2)	M88A	100.00%	23	Family	9/25/98	\$633,614.00	10/1/2026	7.16%		4/1/98		542(C)
Azteca 1	M77B	100.00%	202	Elderly	3/1/82	\$497,600.00	2/1/2020	14.00%		4/1/98		221d4
BCorp Rio	M95A	100.00%	69	Family	12/15/77	\$4,540,900.00	2/1/2020	7.00%		4/1/98	7/1/1999	221d4
Booker T.	M84A	100.00%	33	Both	10/1/88	\$4,475,000.00	11/1/2026	7.15%		4/1/98		542(C)
Boulder Hse	M77A	100.00%	6	Family	12/11/84	\$986,400.00	6/1/2005	10.65%		4/1/98	7/2/2000	221d4
Breckenridge	M96A	100.00%	74	Family	7/20/89	\$426,100.00	1/1/2020	8.50%		4/1/98	12/22/2004	221d3
Burlington	M96A	100.00%	74	Family	6/28/98	\$5,010,200.00	10/1/2037	7.10%		4/1/98		542(C)
Cal Park	M79A	100.00%	69	Both	1/14/98	\$2,358,000.00	9/30/98	7.20%		3/1/98		542(C)
Camelot II	M77B	100.00%	16	Both	6/13/80	\$2,476,000.00	3/1/2022	7.50%		4/1/98	1/19/2001	221d4
Canon Club	M77B	100.00%	46	Both	12/17/85	\$504,900.00	8/1/2023	7.00%		4/1/98	4/30/2001	221d3
Canyon Gate	M82A	100.00%	63	Elderly	8/1/78	\$961,000.00	1/1/2020	7.00%		4/1/98	6/30/1999	221d4
Canyon Pnt	M77B	100.00%	62	Elderly	8/3/82	\$2,116,800.00	9/1/2023	12.00%	Yes	4/1/98	5/4/2003	221d3
Casa/Arco	M82A	100.00%	16	Elderly	10/1/78	\$2,800,700.00	7/1/2020	7.00%		4/1/98	12/31/2019	221d3
Castle	M82A	100.00%	50	Family	8/1/82	\$726,600.00	7/1/2023	12.00%	Yes	3/1/98	5/19/2003	221d3
					7/1/82	\$2,213,800.00	6/1/2023	12.00%	Yes	4/1/98	4/26/2003	221d4

Colorado Housing and Finance Authority
Multifamily Housing Insured Mortgage Revenue Bonds
Series 77A, 77B, 79A, 82A, 82B, 84A, 91A, 92A, 93A, 95A, 95B, 95C, 96A, 96B, 96C, 97A and 97B
Loan Portfolio Information as of March, 17 1998

Borrower	Series	Percent # of Units	Family Elderly Both	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (I)	Next Due Date	HAP Expir. Date	FIAA Ins. Program
Castle East	M82A	100.00%	20 Family	3/3/83	\$808,000.00	\$776,459.37	10/1/2023	12.00%	Yes	4/1/98	8/1/2003	221d4
Cedaridge	M82A	56.50%	167 Family	12/5/85	\$2,338,198.00	\$2,241,946.93	7/1/2026	10.00%		3/1/98	2/20/2001	221d4
Cedaridge	M77B	43.50%		12/5/85	\$1,800,204.00	\$1,728,100.74	7/1/2026	10.00%		3/1/98	2/20/2001	221d4
Centennial	M82A	100.00%	47 Elderly	7/28/82	\$1,498,200.00	\$1,434,143.31	7/1/2023	12.00%	Yes	4/1/98	1/25/2003	221d4
Clifton	M82A	100.00%	61 Family	7/1/82	\$2,301,000.00	\$2,202,114.57	2/1/2023	12.00%	Yes	4/1/98	2/24/2003	221d4
Columb Ct	M77B	100.00%	30 Elderly	1/3/79	\$855,300.00	\$701,797.10	6/1/2020	7.00%		4/1/98	10/16/2009	221d3
Columbine	M84A	100.00%	170 Elderly	4/1/85	\$4,841,900.00	\$4,304,983.67	12/1/2015	10.85%		3/1/98	6/5/2000	221d4
Corazon	M82A	100.00%	60 Elderly	8/1/82	\$1,700,900.00	\$1,633,894.51	8/1/2023	12.00%	Yes	3/1/98	6/15/2003	221d3
Corona I	M77A	100.00%	58 Elderly	7/1/78	\$1,225,300.00	\$974,840.82	6/1/2017	7.25%		4/1/98	9/30/2016	221d4
Corona II	M82A	100.00%	58 Elderly	9/27/85	\$588,200.00	\$517,523.95	6/1/2017	12.00%		4/1/98	9/30/2016	221d4
Cottonwood	M79A	100.00%	60 Family	6/15/81	\$2,417,800.00	\$2,152,089.70	8/1/2022	8.00%		4/1/98	1/27/2002	221d4
Crabtree	M82A	74.00%	8 Family	5/23/80	\$207,792.00	\$192,480.00	11/1/2020	8.50%		4/1/98	10/14/2005	221d3
Crabtree	M82B	26.00%		5/23/80	\$73,008.00	\$67,631.62	11/1/2020	8.50%		4/1/98	10/14/2005	221d3
Creekside	M82A	100.00%	50 Family	9/22/82	\$1,788,500.00	\$1,717,823.89	9/1/2023	12.00%	Yes	4/1/98	6/21/2003	221d4
D N E.	M79A	100.00%	17 Family	6/21/79	\$453,600.00	\$390,676.66	2/1/2020	8.00%		4/1/98	1/3/2000	221d4
Dawson	M79A	100.00%	36 Family	1/28/81	\$1,491,800.00	\$1,320,162.01	11/1/2021	8.00%		4/1/98	9/14/2001	221d4
Della Villa	M82A	100.00%	72 Family	9/30/80	\$1,712,700.00	\$1,618,129.25	5/1/2021	12.00%	Yes	4/1/98	10/11/2000	221d3
East Park	M79A	100.00%	60 Family	7/29/80	\$1,759,800.00	\$1,546,002.77	7/1/2021	8.00%		3/1/98	5/5/2001	221d4
East Village	M77B	100.00%	199 Family	4/1/78	\$4,397,100.00	\$3,531,164.60	4/1/2016	7.00%		4/1/98	4/27/2016	221d4
Eastern Slop	M97A	100.00%	18 Elderly	6/20/87	\$1,015,000.00	\$1,011,929.18	7/1/2037	7.10%		4/1/98	3/1/2010	542(c)
Eaton Ter II	M97A	100.00%	66 Elderly	2/28/87	\$4,157,000.00	\$4,113,537.21	3/1/2027	6.85%		4/1/98	10/15/2004	542(c)
Emerson	M77B	93.30%	12 Family	1/27/89	\$439,349.70	\$399,733.09	9/1/2019	8.50%		4/1/98	10/15/2004	221d4
Emerson	M82A	6.70%		1/27/89	\$31,550.30	\$28,705.36	9/1/2019	10.85%		4/1/98	10/31/1999	221d4
Encino Apts	M84A	100.00%	42 Family	9/4/84	\$946,700.00	\$826,779.30	2/1/2015	7.00%		4/1/98	11/30/1988	542(c)
First Ave	M98A	100.00%	128 Family	9/17/96	\$6,250,000.00	\$6,207,575.56	10/1/2036	7.25%		4/1/98	1/30/1988	221d3
Fletcher	M77A	100.00%	94 Elderly	8/1/77	\$2,186,100.00	\$1,819,368.03	7/1/2019	9.30%		4/1/98	10/30/2006	542(c)
Forum Apts	M98C	100.00%	100 SRO/Homeless	5/23/87	\$465,300.00	\$462,785.27	6/1/2027	9.30%	Yes	4/1/98	1/20/2003	221d3
Fountain	M82A	100.00%	14 Family	7/22/82	\$593,300.00	\$568,693.13	5/1/2023	12.00%		4/1/98	11/1/1999	221d4
Garfield	M84A	100.00%	38 Elderly	7/24/84	\$805,400.00	\$787,956.80	12/1/2014	10.85%		4/1/98	4/1/98	223f
Glenlake	M91A	49.96%	207 Family	9/1/91	\$2,344,822.84	\$2,244,540.71	10/1/2026	8.10%		4/1/98	4/1/98	223f
Glenlake	M82A	37.03%		9/1/91	\$1,737,966.02	\$1,663,637.76	10/1/2026	8.10%		4/1/98	4/1/98	223f
Glenlake	M82B	13.01%		9/1/91	\$610,611.34	\$584,497.09	10/1/2026	8.10%		4/1/98	4/1/98	223f
Glennpark	M82A	100.00%	26 Family	9/30/82	\$1,062,700.00	\$1,016,166.25	6/1/2023	12.00%	Yes	4/1/98	6/9/2003	221d4
Gold Camp	M97A	100.00%	24 Family	5/13/87	\$1,308,700.00	\$1,304,355.35	6/1/2037	7.20%		4/1/98	11/30/2019	542(c)
Grand Manor	M77A	100.00%	112 Family	5/1/78	\$2,898,100.00	\$2,282,966.28	6/1/2020	7.26%		4/1/98	1/30/2019	221d4
Green Ridge	M79A	100.00%	78 Elderly	9/20/78	\$2,696,600.00	\$2,370,266.38	11/1/2020	7.50%		4/1/98	1/12/2001	221d3

Colorado Housing and Finance Authority
Multifamily Housing Insured Mortgage Revenue Bonds
Series 77A, 77B, 79A, 82A, 82B, 84A, 91A, 92A, 93A, 95A, 95B, 95C, 96A, 96B, 96C, 97A and 97B
Loan Portfolio Information as of March, 17 1998

Borrower	Series	Percent # of Units	Family Elderly Both	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate (%)	FAF (%)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Hanigan	M77B	93.40%	9 Family	3/13/89	\$415,816.80	\$378,387.43	11/1/2019	8.25%		3/1/98	12/29/2004	221d4
Hanigan	M77A	6.60%		3/13/89	\$28,383.20	\$28,738.30	11/1/2019	8.25%		3/1/98	12/29/2004	221d4
Harmony	M96C	100.00%	139 Elderly	10/23/96	\$9,020,000.00	\$8,530,654.69	2/1/2037	7.30%		2/1/98		542(c)
Helios	M62A	100.00%	30 Family	9/1/82	\$1,546,600.00	\$1,486,670.65	8/1/2023	12.00%	Yes	4/1/98	6/2/2003	221d4
Heritage Est		100.00%		10/28/97	\$6,238,000.00	\$6,214,759.81	11/1/2027	6.85%		4/1/98		542(c)
High Count	M77B	100.00%	28 Family	8/1/77	\$608,900.00	\$510,216.54	10/1/2019	7.50%		2/1/98	6/6/1998	221d4
Highland	M82A	100.00%	117 Elderly	8/1/82	\$4,425,500.00	\$4,254,830.87	11/1/2023	12.00%	Yes	4/1/98	7/11/2003	221d3
Hilltop	M77B	100.00%	77 Family	4/1/78	\$1,550,600.00	\$1,276,556.94	7/1/2019	7.00%		4/1/98	4/26/2019	221d4
Hyland Park	M93A	100.00%	492 Family	3/31/93	\$9,354,400.00	\$9,019,817.13	4/1/2028	7.40%		4/1/98		223f
Jamaica Arm	M82A	74.00%	6 Family	10/16/91	\$201,576.00	\$189,560.35	5/1/2022	8.00%		4/1/98	1/16/2005	221d4
Jamaica Arm	M82B	26.00%		10/16/91	\$70,824.00	\$66,602.29	5/1/2022	8.00%		4/1/98	1/16/2005	221d4
John Newey	M82A	100.00%	20 Family	8/5/82	\$1,234,300.00	\$1,184,338.56	6/1/2023	12.00%	Yes	3/1/98	1/31/2003	221d3
Kearney	M77B	100.00%	50 Elderly	2/28/79	\$1,138,100.00	\$934,648.36	7/1/2020	7.00%		4/1/98	9/30/1999	221d4
King's Pnt	M82A	100.00%	50 Elderly	9/2/82	\$1,714,400.00	\$1,645,841.60	8/1/2023	12.00%	Yes	4/1/98	6/22/2003	221d4
Kipling	M79A	100.00%	60 Family	8/12/80	\$2,450,700.00	\$2,044,056.66	2/1/2022	8.00%		4/1/98	8/13/2001	221d4
La Family	M82A	100.00%	34 Family	8/25/82	\$1,241,700.00	\$1,192,781.78	8/1/2023	12.00%	Yes	4/1/98	2/23/2003	221d4
Legacy Centrl	M96A	100.00%	32 Assisted Living	4/4/96	\$1,680,000.00	\$1,668,010.22	5/1/2036	7.25%		4/1/98		542(c)
Longs Peak	M82B	100.00%	50 Elderly	1/1/83	\$1,582,700.00	\$1,505,477.56	11/1/2023	10.95%	Yes	4/1/98	7/28/2003	221d4
Marcella	M77A	100.00%	208 Elderly	3/1/77	\$4,442,900.00	\$3,641,613.30	8/1/2019	7.25%		3/1/98	2/28/2018	221d4
Mayel	M82B	100.00%	50 Elderly	1/1/83	\$1,694,100.00	\$1,612,377.69	11/1/2023	10.85%	Yes	3/1/98	10/6/2003	221d4
McLaren	M79A	100.00%	64 Elderly	5/17/79	\$1,346,000.00	\$1,189,833.31	8/1/2020	8.00%		4/1/98	5/13/2000	221d3
Meadows	M82A	100.00%	51 Family	8/20/82	\$2,016,400.00	\$1,930,759.30	8/1/2023	12.00%	Yes	4/1/98	3/27/2003	221d4
Meeker	M82A	100.00%	36 Both	8/28/82	\$1,585,000.00	\$1,502,990.68	5/1/2023	12.00%	Yes	4/1/98	1/4/2003	221d3
Mercy/warre	M82B	100.00%	106 Family	7/28/87	\$4,628,236.00	\$4,438,352.48	4/1/2024	10.95%	Yes	4/1/98	6/19/2004	221d4
Montview	M97A	100.00%	0	7/11/97	\$3,150,000.00	\$2,755,278.11	11/1/2027	7.45%		2/1/98		542(c)
Montview His	M77B	100.00%	50 Family	12/29/77	\$1,342,700.00	\$1,102,018.38	4/1/2019	7.00%		4/1/98	10/9/2018	221d4
Mt. Massive	M82A	100.00%	24 Elderly	8/1/82	\$826,000.00	\$782,162.62	6/1/2023	12.00%	Yes	4/1/98	4/17/2003	221d3
Min Manor	M79A	100.00%	33 Elderly	9/1/81	\$1,240,211.70	\$1,123,266.64	8/1/2021	7.50%		3/1/98	3/26/2001	221d3
Min View	M82A	100.00%	28 Elderly	8/1/82	\$1,157,100.00	\$1,109,695.82	6/1/2023	12.00%	Yes	4/1/98	3/14/2003	221d4
Much/arvada	M79A	100.00%	16 Family	12/18/79	\$900,700.00	\$784,224.28	11/1/2020	8.00%		4/1/98	3/23/2000	221d3
N E Plaza	M82A	100.00%	47 Family	8/1/82	\$1,906,900.00	\$1,829,715.12	6/1/2023	12.00%	Yes	4/1/98	4/17/2003	221d4
Newland	M79A	100.00%	18 Family	9/4/80	\$851,300.00	\$751,648.45	9/1/2021	8.00%		4/1/98	8/30/2001	221d3
Niblock	M77B	64.20%	10 Family	12/24/85	\$260,138.40	\$246,924.36	10/1/2026	9.00%		4/1/98	6/30/2001	221d4
Niblock	M82A	35.80%		12/24/85	\$145,061.60	\$137,693.02	10/1/2026	9.00%		4/1/98	6/30/2001	221d4
Normandy	M79A	100.00%	50 Family	7/1/80	\$1,937,700.00	\$1,450,979.57	12/1/2021	8.00%		4/1/98	3/6/2001	221d4
Olin	M82A	100.00%	107 Elderly	6/15/81	\$3,567,900.00	\$3,410,862.48	11/1/2022	12.00%	Yes	3/1/98	8/6/2002	221d3

Colorado Housing and Finance Authority
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Loan Portfolio Information as of March, 17 1998

Borrower	Series	Percent # of Units	Family Elderly	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (I)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Olive	M84A	100.00%	Family	10/2/84	\$911,100.00	\$787,058.33	3/1/2015	10.85%		4/1/98	12/23/1999	221d4
Park Hill	M84A	100.00%	Family	3/19/84	\$1,287,700.00	\$1,082,821.30	11/1/2014	10.85%		4/1/98	7/12/1999	221d4
Park Hill	M96A	100.00%	Elderly	10/2/86	\$841,166.00	\$631,669.61	11/1/2026	8.00%		4/1/98		542(c)
Park Terrac	M79A	100.00%	Family	5/28/80	\$2,467,300.00	\$2,161,444.80	11/1/2021	8.00%		4/1/98	3/31/2001	221d4
Park West	M84A	100.00%	Elderly	9/14/84	\$1,182,300.00	\$1,032,974.22	2/1/2016	10.85%		4/1/98	3/10/2000	221d4
Parkside	M79A	100.00%	Family	8/29/79	\$1,652,500.00	\$1,442,958.39	11/1/2020	8.00%		3/1/98	6/5/2000	221d4
Parkview	M84A	100.00%	Family	10/29/84	\$1,534,000.00	\$1,344,267.34	4/1/2016	10.85%		4/1/98	4/17/2000	221d4
Pine	M84A	100.00%	Family	6/21/84	\$2,247,700.00	\$1,952,981.31	11/1/2014	10.85%		4/1/98	9/11/1999	221d4
Platte II	M84A	100.00%	Family	2/20/88	\$1,922,000.00	\$1,922,000.00	3/1/2038	6.90%		4/1/98		542(c)
Pralite	M82A	100.00%	Elderly	7/1/82	\$711,800.00	\$682,085.17	5/1/2023	12.00%	Yes	4/1/98	2/13/2003	221d3
Ralekin	M82A	100.00%	Elderly	7/1/82	\$4,811,500.00	\$4,621,393.15	8/1/2023	12.00%	Yes	3/1/98	6/8/2003	221d3
Reyn Rock	M79A	100.00%	Elderly	2/23/81	\$1,257,200.00	\$1,107,735.04	8/1/2022	7.50%		4/1/98	11/12/2001	221d4
Ridgeview	M79A	100.00%	Family	6/19/80	\$1,702,100.00	\$1,502,656.03	9/1/2021	8.00%		4/1/98	2/6/2001	221d4
Riverview	M77B	100.00%	Family	9/1/78	\$2,616,800.00	\$2,173,265.08	11/1/2019	7.00%		4/1/98	9/30/1999	221d4
Rotella	M82A	100.00%	Family	8/4/82	\$3,290,800.00	\$3,159,197.26	8/1/2023	12.00%	Yes	4/1/98	6/9/2003	221d4
S Onelda Cib	M86C	100.00%	Family	12/9/86	\$7,657,000.00	\$6,647,656.94	3/1/2038	7.40%		4/1/98		542(c)
San Juan	M77B	100.00%	Elderly	4/24/79	\$1,875,200.00	\$1,582,240.77	10/1/2020	7.00%		4/1/98	5/9/2000	221d4
Sheridan	M79A	100.00%	Family	3/12/80	\$1,817,300.00	\$1,544,923.54	5/1/2021	7.00%		4/1/98	11/25/2000	221d4
Silver Sp.	M82A	100.00%	Elderly	7/12/82	\$715,000.00	\$665,353.74	5/1/2023	12.00%	Yes	4/1/98	1/11/2003	221d3
Silverleaf	M77A	100.00%	Elderly	6/1/77	\$1,428,800.00	\$1,150,428.65	8/1/2018	7.25%		4/1/98	4/21/2018	221d3
Skyview	M96A	100.00%	Elderly	9/24/85	\$4,180,000.00	\$4,153,374.36	11/1/2038	7.00%		4/1/98		542(c)
Sleeping Ute	M79A	100.00%	Family	4/1/80	\$2,087,900.00	\$1,828,767.33	7/1/2021	7.75%		4/1/98	1/31/2001	221d4
Springfield	M82A	100.00%	Elderly	7/1/82	\$1,034,100.00	\$991,738.98	6/1/2023	12.00%	Yes	4/1/98	2/21/2003	221d3
Squire	M82A	100.00%	Elderly	7/1/82	\$1,772,600.00	\$1,686,424.82	2/1/2023	12.00%	Yes	4/1/98	2/10/2003	221d4
Steamboat	M95A	100.00%	Family	10/30/86	\$6,828,200.00	\$6,591,391.39	11/1/2038	7.40%		4/1/98		542(c)
Summersong	M79A	100.00%	Family	9/17/79	\$1,934,300.00	\$1,870,393.31	2/1/2021	7.50%		4/1/98	2/10/2001	221d4
Summit Apts	M93A	100.00%	Family	3/31/83	\$3,248,400.00	\$3,132,213.30	4/1/2028	7.40%		4/1/98		223f
Sunnyside	M77A	100.00%	Family	5/1/86	\$936,500.00	\$827,405.70	12/1/2018	7.50%		2/1/98	9/30/2003	221d4
Sunrise	M82A	100.00%	Elderly	12/1/82	\$1,444,600.00	\$1,386,830.06	8/1/2023	12.00%	Yes	4/1/98	8/23/2003	221d4
Sunset	M82A	100.00%	Elderly	11/16/81	\$2,528,700.00	\$1,491,427.50	7/1/2023	12.00%	Yes	4/1/98	4/27/2003	221d3
Tamarin	M79A	100.00%	Elderly	11/16/81	\$2,528,700.00	\$2,268,369.38	11/1/2022	8.00%		4/1/98	11/30/2002	221d4
Tanglewood	M77A	83.01%	Family	3/31/83	\$2,822,326.40	\$2,728,759.09	4/1/2028	7.75%		4/1/98		223f
Tanglewood	M93A	11.03%	Family	3/31/83	\$374,999.84	\$362,667.74	4/1/2028	7.75%		4/1/98		223f
Tanglewood	M77B	6.96%	Family	3/31/83	\$202,673.66	\$198,964.51	4/1/2028	7.75%		4/1/98		223f
Terrace	M82A	100.00%	Family	7/1/82	\$3,316,300.00	\$3,096,317.74	9/1/2023	12.00%	Yes	4/1/98	7/13/2003	221d4
Tiara	M84A	100.00%	Elderly	7/1/84	\$1,430,700.00	\$1,249,470.78	12/1/2014	10.85%		2/1/98	9/30/1999	221d4

Colorado Housing and Finance Authority
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Loan Portfolio Information as of March, 17 1998

Borrower	Series	Percent # of Units	Family Elderly Both	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (I)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Tiffany	M79A	100.00%	Family	11/26/79	\$1,536,900.00	\$1,330,639.45	11/1/2020	7.75%		4/1/98	8/24/2000	221d4
Valley Sun	M82A	100.00%	Elderly	7/1/82	\$1,484,400.00	\$1,422,858.55	7/1/2023	12.00%	Yes	4/1/98	1/31/2003	221d4
Villa 14	M82A	100.00%	Elderly	7/28/82	\$1,143,500.00	\$1,098,651.92	8/1/2023	12.00%	Yes	4/1/98	1/18/2003	221d4
Villa Townsh	M82B	100.00%	Family	11/21/87	\$830,000.00	\$829,018.78	12/1/2037	6.90%		4/1/98		542(c)
Villa West	M77B	68.30%	Family	11/26/84	\$716,174.50	\$657,188.78	5/1/2020	10.50%		3/1/98	5/16/2000	221d4
Villa West	M77B	31.70%	Family	11/26/84	\$333,325.50	\$305,020.27	5/1/2020	10.50%		3/1/98	5/16/2000	221d4
Village	M84A	100.00%	Family	4/19/84	\$1,730,200.00	\$1,494,960.18	8/1/2014	10.85%		4/1/98	7/22/1999	221d4
Walnut Park	M77A	100.00%	Elderly	12/1/78	\$1,576,300.00	\$1,301,289.89	8/1/2018	7.50%		3/1/98	11/30/2017	221d3
Westland	M82A	100.00%	Elderly	9/1/82	\$3,777,600.00	\$3,480,220.39	11/1/2023	12.00%	Yes	4/1/98	7/14/2003	221d4
Westminster	M77B	100.00%	Elderly	4/3/79	\$3,485,700.00	\$2,971,941.01	3/1/2021	7.00%		3/1/98	6/16/2000	221d3
Westwood Apt	M96B	100.00%	Family	8/20/86	\$2,600,000.00	\$2,588,420.73	7/31/87	7.65%		3/1/98		542(c)
Windrift	M77B	100.00%	Family	7/23/79	\$1,644,600.00	\$1,309,208.17	12/1/2020	7.00%		4/1/98	7/20/2000	221d4
Wise Harris	M82A	100.00%	Elderly	8/1/82	\$815,900.00	\$590,974.61	6/1/2023	12.00%	Yes	3/1/98	5/23/2003	221d4
WMS. Manor	M87A	100.00%	Elderly	6/12/87	\$916,000.00	\$909,666.28	7/1/2027	6.85%		4/1/98		542(c)
Woodland Apt	M86C	100.00%	Family	1/23/88	\$6,606,900.00	\$6,504,872.29	2/1/2038	7.30%		4/1/98		542(c)
Yorkshire	M90A	100.00%	Family	4/23/88	\$6,326,712.00	\$6,230,562.51	5/1/2026	7.38%		4/1/98		542(c)
Zuni Apts	M77A	54.20%	Family	6/1/88	\$104,768.60	\$93,271.52	4/1/2019	7.50%		2/1/98	12/28/2003	221d4
Zuni Apts	M77B	40.40%	Family	6/1/88	\$78,093.20	\$69,523.42	4/1/2019	7.50%		2/1/98	12/28/2003	221d4
Zuni Apts	M79A	5.40%		6/1/88	\$10,438.20	\$9,282.73	4/1/2019	7.50%		2/1/98	12/28/2003	221d4
					316,786,189.78	287,766,829.78						

Projects Under Construction:

Canyon Point Colleges	95C	196	Family		\$13,004,600.00	\$12,476,087.00		8.00%				221(d)(4)
Walnut Creek	95B	220	Family		\$13,326,400.00	\$12,457,968.00		8.00%				221(d)(4)
Allied Lowry Housing	97A	165	Family		\$6,000,000.00	\$2,709,440.00		7.10%				PAB-542
		581			\$34,331,000.00	\$27,643,515.00						

(1) The effective refunded mortgage rate for the FAF loans is 9.88%.

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Appendix G

Forms of Continuing Disclosure Undertakings

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AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "Authority"), in connection with the issuance of \$7,300,000 Colorado Housing and Finance Authority Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 and 1998 Series B-2 (together, the "Bonds"). The Bonds are being issued pursuant to the Authority's Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution, as amended and supplemented by the 1998 Series B Resolution Authorizing the Issuance of Colorado Housing and Finance Authority Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 and 1998 Series B-2 (together, the "Trust Document").

BACKGROUND

1. The Bonds are being issued for the purpose of defraying, in part, the costs of acquiring certain mortgage loans in connection with the financing of certain projects located or to be located in the State, to pay certain costs of issuance of the Bonds and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (as defined in Rule 15c2-12 defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof ("Rule 15c2-12"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Authority or other obligated person described in Section 2(f) hereof, as applicable, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement, included but not limited to such financial information and operating data set forth in "Colorado Housing and Finance Authority - Programs to Date," "Security and Sources of Payment for the 1998 Series B Bonds - Outstanding Bonds and Additional Bonds" and "Appendix F - Certain Information About the Outstanding Mortgage Loans and Projects." Annual Financial Information shall include Audited Financed Statements.

(b) "Audited Financial Statements" means the annual financial statements for the Authority or other obligated person described in Section 2(f) hereof, as applicable, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Events" means any of the events listed in Section 2(d) hereof.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1640 King Street, #300, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "NRMSIR" means a nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12. As of the date hereof, such NRMSIRs include Kenny Information Systems, Inc., 65 Broadway, New York, New York 10006-2503; Thompson NRMSIR, 395 Hudson Street, New York, New York 10014; Bloomberg Municipal Repositories, P.O. Box 840, Princeton, New Jersey 08542-0840; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Newman and Associates, Inc., 1801 California Street, Suite 3700, Denver, Colorado 80202.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

Section 2. Provision of Annual Information and Reporting of Events.

(a) Commencing with the fiscal year ending December 31, 1998 and annually while the Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided not later than 240 days after the end of each fiscal year for the Authority (i.e., each December 31). If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific reference to other documents, including information reports and official statements relating to other debt issues of the Authority, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

(d) At any time the Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of the occurrence of any of the following Events with respect to the Bonds, if material (provided, that any event under clauses (viii), (ix) or (xi) will always be deemed to be material):

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Any event adversely affecting the tax-exempt status;
- vii. Modifications to the rights of the owners of the Bonds;
- viii. Bond calls or redemption;
- ix. Defeasance;
- x. Release, substitution or sale of property securing repayment; and

xi. Rating changes.

(e) At any time the Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of any failure of the Authority to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

(f) Other Obligated Persons. As of the date of issuance of the Bonds, the Sponsors will each be an "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. Each of the Sponsors has separately agreed or will separately agree, for the benefit of the owners (including beneficial owners) of the Bonds, to provide to the Authority Annual Financial Information and Audited Financial Statements with respect to itself not later than 120 days after the end of each fiscal year for such Sponsor to the extent that such Sponsor continues to constitute an "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. The Authority has agreed to forward to each Repository such Annual Financial Information and Audited Financial Statements promptly upon receipt from such Sponsors. The Authority has no obligation to examine or review such Annual Financial Information or Audited Financial Statements or to verify the accuracy or completeness of such Annual Financial Information or Audited Financial Statements, and is not otherwise obligated to make such continuing disclosure undertakings on behalf of any of the Sponsors.

In addition, the Authority covenants to provide Annual Financial Information and Audited Financial Statements for any other person who shall constitute an "obligated person" with respect to the Bonds, or to cause such obligated person to provide such Annual Financial Information and Audited Financial Statements, if the total amount of such person's annual obligations in respect of the Bonds are equal to or greater than 20% of the average annual debt service requirements on the Bonds.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds; provided, that, any owner or beneficial owner of Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of Authority hereunder shall not constitute an Event of Default under

the Trust Document and none of the rights and remedies provided by the Trust Document shall be available to the owners of the Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or Event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Trust Document; (ii) the date that the Authority and each person named or described in Section 2(f) hereof shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority, including by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to each Repository and the Senior Manager.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriters and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of August __, 1998.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Executive Director

SPONSOR CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by _____ (the "Sponsor"), in connection with the issuance by the Colorado Housing and Finance Authority of its \$7,300,000 Colorado Housing and Finance Authority Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 and 1998 Series B-2 (together, the "Bonds"). The Bonds are being issued pursuant to the Authority's Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution, as amended and supplemented by the 1998 Series B Resolution Authorizing the Issuance of Colorado Housing and Finance Authority Multi-Family Housing Insured Mortgage Revenue Bonds, Taxable 1998 Series B-1 and 1998 Series B-2 (together, the "Trust Document").

BACKGROUND

1. The Bonds are being issued for the purpose of defraying, in part, the costs of acquiring certain mortgage loans in connection with the financing of certain projects located or to be located in the State, to pay certain costs of issuance of the Bonds and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (as defined in Rule 15c2-12 defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof ("Rule 15c2-12"), the Sponsor has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

SPONSOR COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Sponsor, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, of the type set forth in "Appendix C - Description of the Proposed 1998B Projects and Sponsors" of the Official Statement. Annual Financial Information shall include Audited Financial Statements.

(b) "Audited Financial Statements" means the annual financial statements for the Sponsor prepared in accordance with generally accepted accounting principles, audited by a firm of certified public accountants.

(c) "Authority" means the Colorado Housing and Finance Authority.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1640 King Street, #300, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "NRMSIR" means a nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12. As of the date hereof, such NRMSIRs include Kenny Information Systems, Inc., 65 Broadway, New York, New York 10006-2503; Thompson NRMSIR, 395 Hudson Street, New York, New York 10014; Bloomberg Municipal Repositories, P.O. Box 840, Princeton, New Jersey 08542-0840; Moody's NRMSIR, 99 Church Street, New York, New York 10007; Donnelly Financial Municipal Securities Disclosure Archive, 559 Main Street, Hudson, MA 01749; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Newman and Associates, Inc., 1801 California Street, Suite 3700, Denver, Colorado 80202.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

Section 2. Provision of Annual Information.

(a) Commencing with the fiscal year ending _____, 199__ and annually while the Bonds remain outstanding, the Sponsor agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided to the Authority not later than 120 days after the end of each fiscal year for the Sponsor (i.e., each _____). If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided to the Authority when available. The Authority shall forward the Annual Financial Information and the Audited Financial Statements so provided to each Repository promptly upon receipt from the Sponsor. The Authority shall have no obligation to examine or review the Annual Financial Information or the Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Annual Financial Information or the Audited Financial Statements.

(c) At any time the Bonds are outstanding, the Sponsor shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of any failure of the Sponsor to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law. The Sponsor shall provide to the Authority Annual Financial Information and Audited Financial Statements in such form and by such means as shall be requested by the Authority from time to time to enable the Authority to comply with the preceding sentence.

Section 4. Enforcement. The obligations of the Sponsor hereunder shall be for the benefit of the owners (including beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Sponsor to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds; provided, that, any owner or beneficial owner of Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Sponsor hereunder shall not constitute an Event of Default under the Trust Document and none of the rights and remedies provided by the Trust Document shall be available to the owners of the Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Sponsor from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information, in addition to that which is required by this Disclosure Certificate; provided that the Sponsor shall not be required to do so. If the Sponsor chooses to include any annual information in addition to that which is specifically required by this Disclosure Certificate, the Sponsor shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Trust Document; (ii) the date that the Sponsor shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Sponsor may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Bonds upon the Sponsor's receipt of an opinion of counsel experienced in federal securities laws satisfactory to and approved by the Authority, to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Sponsor shall provide notice of such amendment or waiver to the Authority and the Senior Manager, and the Authority shall then forward such notice to each Repository.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Sponsor, the Participating Underwriters, the Authority and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 1998.

[Name of Sponsor]

By: _____
Name: _____
Title: _____

AGREED to with regard to the Authority's
duties under Sections 2(b), 3 and 7:

COLORADO HOUSING AND FINANCE AUTHORITY

By: _____
Name: _____
Title: _____

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