

Tab 4

\$40,000,000*
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

1. Trust Indenture
2. Official Statement
3. Bond Purchase Agreement
4. Continuing Disclosure Agreement

* Preliminary; subject to change

Trust Indenture

TRUST INDENTURE

between

TEXAS STATE AFFORDABLE HOUSING CORPORATION
as Issuer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

Pertaining to:

\$40,000,000*
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

Dated as of

May 1, 2019

* Preliminary; subject to change

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TRUST INDENTURE

THIS TRUST INDENTURE dated as of May 1, 2019 (together with any amendments or supplements hereto, this “Indenture”), between the TEXAS STATE AFFORDABLE HOUSING CORPORATION (together with any successor to its rights, duties, and obligations hereunder, the “Issuer”), a nonprofit corporation organized and existing under the laws of the State of Texas (the “State”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association having a corporate trust office in Minneapolis, Minnesota (together with any successor trustee hereunder, the “Trustee”).

WITNESSETH:

WHEREAS, the Issuer has been created and organized pursuant to and in accordance with Subchapter Y of Chapter 2306, Texas Government Code, as amended (the “Act”) and Section 22 of the Texas Business Organizations Code, as amended, and

WHEREAS, pursuant to the Act, a primary public purpose of the Issuer is to facilitate the provision of adequate, safe and sanitary housing for allied health program faculty members, corrections officers, county jailers, emergency medical services personnel, fire fighters, peace officers, professional educators, professional nursing program faculty members, public security officers and veterans (collectively, “Texas Heroes”) under the Home for Texas Heroes Loan Program as provided for in Section 2306.5621 of the Act; and

WHEREAS, the Issuer has determined to issue its Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A (Non-AMT) (the “Bonds”), and use the proceeds, together with other available funds, to finance mortgage loans for Texas Heroes under its “Texas Heroes Home Loan Program” (the “Program”) and thereby assist Texas Heroes in the purchase of single family residences in the State of Texas; and

WHEREAS, the Program requirements will be consistent with the provisions of the Act and the Internal Revenue Code of 1986, as amended (the “Code”), in order to assist Texas Heroes with the purchase of qualified single family homes; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the “Code”), provides that the interest on obligations (such as the Bonds) issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excluded from gross income of the holders of such obligations for federal income tax purposes if such issue meets the applicable requirements of the Code; and

WHEREAS, the Program will meet all the requirements of the Code and the Act; and

WHEREAS, under the Program, Lenders will originate Mortgage Loans under the Program, (ii) the Lender will sell the Mortgage Loans to the Servicer, (iii) the Servicer will pool the Mortgage Loans into fully modified pass-through mortgage-backed certificates guaranteed by the Government National Mortgage Association (the “Certificates”); and (iv) the Trustee, on behalf of the Issuer, will purchase the Certificates on behalf of the Issuer; and (v) the Certificates will be pledged as security for the Bonds; and

WHEREAS, the form of the bonds to be issued under this Indenture, and the Trustee’s certificate of authentication and the Comptroller of Public Accounts’ certificate of registration thereon, are to be in substantially the forms set forth in Exhibit A of this Indenture and incorporated herein by reference; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

In consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, the Issuer, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated (to the extent required), delivered, secured, and accepted by all persons who shall from time to time be or become Owners thereof, and in order to secure the payment of the Bonds and the premium, if any, and interest thereon according to their tenor, purpose, and effect, and in order to secure the performance and observance of all the covenants, agreements, and conditions therein and herein contained, has executed and delivered this Indenture and has pledged and assigned and does hereby grant, bargain, convey, mortgage, pledge and assign to, and grant a security interest to, the Trustee and its successors in trust forever, for the securing of the performance of the obligations of the Issuer hereinafter set forth, all right, title, and interest of the Issuer, now or hereafter acquired, in and to the following:

GRANTING CLAUSE FIRST

Any moneys held in any Funds (other than the Program Expense Fund, the Cost of Issuance Fund and any Rebate Amount held in any Fund), including, without limitation, the present and continuing right to make claim for, collect, receive and receipt for any of the income and principal payable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, including actions for the receipt or disposition of any collateral held thereunder, and to do any and all things which the Issuer is or may become entitled to do thereunder;

GRANTING CLAUSE SECOND

All right, title, and interest of the Issuer in the Certificates purchased with moneys from the Program Fund, including all payments made with respect to such Certificates, including, without limitation, the present and continuing right to make claim for, collect, receive, and receipt for any of the income, revenues, issues, profits, insurance proceeds, and other sums of money payable or receivable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive, and dispose of any collateral therefor or any amounts receivable with respect thereto (except as expressly provided herein), and to do any and all things which the Issuer is or may become entitled to do under such Certificates, and all moneys and obligations to the extent pledged to the Bonds as provided in this Indenture and held pursuant to this Indenture as security for the payment of Debt Service with respect to the Bonds, including any proceeds thereof, and as security for the satisfaction of any other obligation assumed by the Issuer in connection with the Bonds;

GRANTING CLAUSE THIRD

All right, title and interest of the Issuer, but not the obligations, now owned or hereafter acquired in and to the Program Documents and the Mortgage Documents including, without limitation, all present and future rights of the Issuer to make claim for, collect and receive any income, revenues, issues, profits, insurance proceeds and other sums of money payable to or for the account of or receivable by the Issuer

under the Program Documents and Mortgage Documents, whether payable pursuant to the Program Documents or Mortgage Documents or otherwise (except for the Issuer's rights to enforce and receive payment of money directly and for its own purposes under the Agreements), to bring actions and proceedings under the Program Documents or Mortgage Documents or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Program Documents or Mortgage Documents;

GRANTING CLAUSE FOURTH

All right, title and interest of the Issuer to the Revenues; and

GRANTING CLAUSE FIFTH

Any and all property of every kind and nature (including, without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with the Trustee as additional security hereunder by the Issuer or anyone on its behalf, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms hereof.

TO HAVE AND TO HOLD all and singular the trust estate as set forth in Granting Clauses First through Fifth above, whether now owned or hereafter acquired, to the Trustee and its respective successors in trust and assigns forever to its and their proper use;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and ratable benefit, security, and protection of all present and future Owners of the Bonds delivered and to be delivered under and secured by this Indenture without privilege, priority, or distinction as to the lien or otherwise (except as herein expressly provided) of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if, after the rights, title, and interest of the Trustee in and to the estate pledged and assigned to it under this Indenture shall have ceased, terminated, and become void with respect to the Bonds in accordance with Article IX hereof, then this Indenture and all covenants, agreements, and other obligations of the Issuer hereunder shall cease, terminate, and be void with respect to the Bonds, and thereupon the Trustee shall cancel and discharge this Indenture with respect to the Bonds and execute and deliver to the Issuer such instruments in writing as shall be required to evidence the discharge hereof, otherwise, this Indenture shall be and remain in full force and effect with respect to the Bonds.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds delivered and secured hereunder are to be authenticated (to the extent required) and delivered and all said payments and other revenues and other income and funds hereby pledged and assigned, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners of the Bonds, as follows:

ARTICLE I.
AUTHORITY FOR BONDS; DEFINITIONS

Section 1.1 Due Authorization. The Issuer has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and does hereby find and determine, that each of and all the matters hereinabove recited are true and correct, and the Issuer has duly and regularly complied with all applicable provisions of law and is duly authorized by law to execute this Indenture and to issue the Bonds for the purpose, in the manner and upon the terms in this Indenture provided.

Section 1.2 Definitions

Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture, and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined herein, all words and phrases defined in the Agreements shall have the same meaning herein.

“Act” means Subchapter Y of Chapter 2306, Texas Government Code, as amended.

“Agreements” means the Servicing Agreement and the Lender Agreements.

“Bond Counsel” means Norton Rose Fulbright US LLP, or such other legal counsel selected by the Issuer and acceptable to the Trustee, of recognized standing on the subject of municipal bonds and federal arbitrage regulations, and whose legal opinions on such bonds are acceptable in national bond markets.

“Bond Year” means each one-year period that ends at the close of business on the day selected by the Issuer. The first and last Bond Years may be short periods. If no day is selected by the Issuer before the earlier of the date the last Bond is discharged or the date that is five years after the Issuance Date, the Bond Year will end on the day before each anniversary of the Issuance Date and on the date the last Bond is discharged.

“Bonds” means the Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A (Non-AMT).

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions are closed in New York, New York, or in the state in which either the Principal Office or the Operations Office of the Trustee is located, or (iii) a day on which the New York Stock Exchange is closed.

“Certificate” means a GNMA Certificate.

“certificate” (when used with respect to certificates of the Issuer, Servicer, Trustee or a Lender), “statement,” “request,” “requisition” and “order” mean, respectively, a written certificate, statement, request, requisition or order executed as follows: (1) if of the Issuer, by the President, the Executive Vice President or the Treasurer or such other person as may be designated and authorized to sign for the Issuer and (2) if of the Servicer, the Trustee or a Lender, by such person as may be designated and authorized to sign for the Servicer, the Trustee or such Lender. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single

instrument. If and to the extent required by Section 1.4 hereof, each such instrument shall include the statements provided for in Section 1.4 hereof.

“Certificate Purchase Period” means the period from the Issuance Date through _____, 20__ , during which the Servicer or the Corporation can sell Certificates to the Trustee at the Certificate Sale Price; provided that the last date of such period may be extended in connection with an extension of the Nonorigination Redemption Date.

“Certificate Sale Date” means any date on which the Servicer or the Issuer sells a Certificate to the Trustee during the Certificate Purchase Period.

“Certificate Sale Price” means ___% of the outstanding principal balance of the Mortgage Loans in the pool backing the applicable Certificate. No accrued interest shall be paid at the time of the purchase of a Certificate by the Trustee.

“Code” means the Internal Revenue Code of 1986, as amended, together with the corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

“Cost of Issuance Fund” means the Fund by that name established for the Bonds pursuant to Section 4.2(D) hereof.

“Costs of Issuance” means, with respect to the Bonds, all items of expense directly or indirectly payable by or reimbursable to the Issuer, and related to the authorization, issuance, sale, and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation, and safekeeping of the Bonds, and any other cost, charge, or fee in connection with the issuance of the Bonds.

“Debt Service” means the principal of, and interest and redemption premium, if any, payable with respect to the Bonds at any given time.

“Depository” means any bank or trust company or national banking association, which may include the Trustee, selected by the Issuer as a depository of money or securities held under provisions of this Indenture.

“DTC” means The Depository Trust Company, New York, New York.

“DTC Participant” means a broker, dealer, bank, other financial institution, or other Person for whom from time to time DTC effects book-entry transfers and pledges of securities deposited with DTC.

“Eligible Loan Area” means the geographical limits of the State of Texas.

“Event of Default” means any event of default specified in Section 6.1 hereof.

“FHA” means the Federal Housing Administration of the United States Department of Housing and Urban Development, or other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

“FHA Insurance” means insurance on mortgage loans presently issued by FHA under the National Housing Act of 1934, as amended, pursuant to one of the following FHA Insurance programs:

- (a) FHA Section 203(b), Home Unsubsidized;
- (b) FHA Section 203(b)(2), Veterans Status;
- (c) FHA Section 234(c), Condominium Ownership;
- (d) FHA Section 203(h), Disaster Victims; or
- (e) any other FHA insurance program acceptable to the Issuer and the Servicer.

“FHA Mortgage Loan” means a Mortgage Loan with FHA Insurance.

“Fund” means any of the funds established pursuant to this Indenture.

“GNMA” means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. § 1716 et seq.), and any successor thereto.

“GNMA Certificate” means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Servicer and guaranteed by GNMA pursuant to GNMA’s GNMA II Mortgage-Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by Mortgage Loans referred to in the GNMA Guaranty Agreement and shall unconditionally obligate the Servicer to remit monthly to J.P. Morgan Chase & Co., as Central Paying and Transfer Agent (“CPTA”) its pro rata share of (x) principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Certificate and (y) interest received in an amount equal to the principal balance of the GNMA Certificate multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Certificate such holder’s pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Certificate and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Certificate. The final payment date on any GNMA Certificate shall not be later than the final scheduled payment date of the Bonds.

“Governmental Obligations” means obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

“Indenture” means this Trust Indenture, as originally executed or as it may from time to time be supplemented, modified, or amended by any Supplemental Indenture.

“Independent Certified Public Accountant” means any certified public accountant, firm of such accountants or other professionals of national reputation selected by the Issuer and who, or each of whom, during the period of such accountant’s or firm’s professional engagement by the Issuer, or at the time of expressing an opinion required hereby: (1) is independent of the Issuer under generally accepted accounting principles; (2) does not have, and is not committed to acquire, any direct or material indirect

financial interest in the Issuer; and (3) is not connected with the Issuer as an officer or employee, but who may be regularly retained to make annual or other audits of the books of, or reports of the Issuer.

“Interest Fund” means the Fund by that name established pursuant to Section 4.4 hereof.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2019.

“Investment Agreement” means a guaranteed investment contract or agreement (or similar arrangement), between the Trustee and the provider of such contract or agreement, which meets any applicable requirements of the Rating Agency and bears a rating that is sufficient to maintain a rating on the Bonds of “Aa1” or higher.

“Investment Securities” means any of the following which at the time of investment are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested: (a) Governmental Obligations; (b) Federal Housing Administration debentures which must not be redeemable prior to their stated maturity; (c) obligations of the Farm Credit System; (d) obligations of Federal Home Loan Banks; (e) certificates of deposit having a stated maturity of 90 days or fewer from the date of its issuance, that are issued by a state or national bank domiciled in the State (including those of the Trustee) or a savings and loan association domiciled in the State, provided that such certificate of deposit is fully insured by the Federal Deposit Insurance Corporation or its successor and that such banking institution is rated not less than P-1 by the Rating Agency; (f) bankers’ acceptance which (i) have a stated maturity of 90 days or fewer from the date of its issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible collateral for borrowing from a Federal Reserve Bank, and (iv) are issued by a bank organized and existing under the laws of the United States or of any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than P-1 by the Rating Agency; (g) deposits which are fully insured by the Federal Deposit Insurance Corporation (“FDIC”); provided that such deposits are with a banking institution rated not less than P-1 by the Rating Agency; (h) commercial paper which (i) has a stated maturity of 90 days or fewer from the date of its issuance and (ii) is rated not less than P-1 by the Rating Agency; (i) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York), and any other U.S. Treasury stripped securities assessed or rated in the highest applicable rating category by the Rating Agency at the time of such purchase; (j) an Investment Agreement; (k) a money market fund of the Trustee or its affiliates that is rated by the Rating Agency in its highest rating category; and (l) any other investment which in Counsel’s Opinion is at the time permitted by then applicable law for the investment of the Issuer’s funds and to the extent such investments are rated by a Rating Agency in its highest rating category.

“Issuance Date” means May __, 2019.

“Issuer” means the Texas State Affordable Housing Corporation, or its successor.

“Issuer’s Fee” means the fee payable to the Issuer on each Interest Payment Date, in an amount equal to 1/2 of __% times the total principal amount of Bonds Outstanding as of the preceding Interest Payment Date (after Bond principal payments on that date); provided that such fee is subject to increase or decrease if the Mortgage Loan Rate is increased or decreased (as provided under the definition of “Mortgage Loan Rate”).

“Lender” means a mortgage lending institution participating in the Program and executing a Lender Agreement.

“Lender Agreement” means a Mortgage Origination Agreement between the Issuer and a Lender, as amended from time to time.

“Letter of Instructions” means a written directive and authorization to the Trustee executed by the President, Executive Vice President or Treasurer of the Issuer.

“Mortgage” means the instrument, including the Mortgage Rider and deed of trust, securing a Mortgage Loan that creates a first lien on a Residence subject to Permitted Encumbrances, and that shall be in form acceptable to FHA, VA or USDA-RHS, as applicable.

“Mortgage Documents” means the Mortgage Notes, the Mortgages and other documents relating to the Mortgage Loans.

“Mortgage Loan” means a mortgage loan to an Eligible Borrower evidenced by a Mortgage Note secured by a related Mortgage on a Residence located in the Eligible Loan Area, satisfying the terms of the Lender Agreement.

“Mortgage Loan Rate” means ___% per annum; provided that the Mortgage Loan Rate may be (i) increased if the amount of the increase does not exceed ___% per annum, and the Issuer’s Fee is increased by the same number of basis appoints, and (ii) decreased if the amount of the decrease does not exceed ___% per annum, and the Issuer’s Fee is decreased by the same number of basis points.

“Mortgage Note” means the promissory note evidencing the obligation to repay a Mortgage Loan, that shall be in the form acceptable to FHA, VA or USDA-RHS, as applicable, depending on whether the Mortgage Note evidences an FHA Mortgage Loan, a VA Mortgage Loan or a USDA-RHS Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Issuer and the Servicer and provided to Lenders by the Servicer.

“Mortgagor” means any person who has a present ownership interest in the Residence and is the obligor(s) on a Mortgage Note, or a subsequent owner of a Residence who has assumed the Mortgage in accordance with the Agreements (but does not include a person who is liable on the Mortgage Note solely as a guarantor or cosignor, who does not have a present ownership interest in the Residence).

“Nonorigination Redemption Date” means the redemption date set forth in Section 3.2(A) upon which Bonds may be redeemed from unexpended moneys in the Program Fund, and any extended date established pursuant to Section 4.2(E).

“Notice Address” means:

(a) As to Issuer:

Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Boulevard
Austin, Texas 78702
Attention: David Long

As to the Trustee:

Wells Fargo Bank, National Association
600 South 4th Street
Minneapolis, MN 55415
Attention: Corporate Trust Services

As to the Rating Agency:

Moody’s Investors Service, Inc.
250 Greenwich Street
7 World Trade Center
New York, New York 10007
Attn: Public Finance–Local Housing Group

(b) As to each Lender and the Servicer, the applicable address shown in the Agreements.

“Operations Office” means the Trustee’s designated office which will be utilized to make payments and perform transfers and which is presently located in Minneapolis, Minnesota.

“Outstanding,” when used as of any particular time with reference to the Bonds, means (subject to the provisions of Section 10.7 hereof) all of the Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) the Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) the Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with Section 9.2 hereof, including the Bonds (or portions of the Bonds) referred to in Section 10.7 hereof; and (3) the Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Owner” means a registered owner of a Bond.

“Pass-Through Rate” means the interest rate with respect to a Certificate, which is equal to the Mortgage Loan Rate of the Mortgage Loans backing the Certificate less the Servicing Fee.

“Person” means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Premium PAC Bonds” means the Term Bonds maturing March 1, 2049.

“Prepayments” means principal payments in addition to regularly scheduled principal payments on the Certificates.

“Principal Fund” means the Fund by that name established pursuant to Section 4.4 hereof.

“Principal Office” means (i) when used with respect to the Trustee, the corporate trust office of the Trustee at which the Indenture is administered, which at the date of this Indenture is located in Minneapolis, Minnesota, and (ii) if used with respect to any paying agent, the office of such paying agent as designated by written notice given by the Trustee to the Owners.

“Program” means the Issuer’s program of purchasing mortgage-backed certificates backed by qualifying single family mortgage loans pursuant to the Act, the Indenture and the Agreements.

“Program Documents” means the Indenture, the Servicing Agreement, the Lender Agreements and other Program-related documents.

“Program Expense Fund” means the Fund by that name established pursuant to Section 4.4 hereof.

“Program Expenses” means the Trustee’s Fee, the Issuer’s Fee and the Rebate Analyst’s Fee.

“Program Fund” means the Fund by that name established pursuant to Section 4.2(A) hereof.

“Rating Agency” means Moody’s Investors Service, Inc., its successors and assigns, or any other national rating agency which has assigned and is maintaining a credit rating on the Bonds.

“Rebate Amount” means the amount required to be paid to the United States Government, as determined under Code Section 148 and Treasury Regulation Section 1.148-3.

“Rebate Analyst” is defined in Section 4.6 hereof, and will initially be BLX Group LLC, or its successors or assigns.

“Rebate Analyst’s Fee” means the fee payable to the Rebate Analyst on each Interest Payment Date, in an amount equal to 1/2 of ___% times the total principal amount of Bonds Outstanding as of the preceding Interest Payment Date.

“Rebate Fund” means the Fund by that name established pursuant to Section 4.6 hereof.

“Record Date” means the close of business on the twenty-fifth day of the month preceding each Interest Payment Date, whether or not such twenty-fifth day is a Business Day.

“Redemption Fund” means the Fund by that name established pursuant to Section 3.1 hereof.

“Revenue Fund” means the Fund by such name established by the Trustee pursuant to Section 4.3 hereof.

“Revenues” means all income, revenues, proceeds and other amounts received by the Trustee from or on behalf of the Issuer, including all amounts received in connection with the GNMA Certificates, and any and all interest, profits or other income derived from the investment of amounts in any Fund (except the Program Expense Fund and the Cost of Issuance Fund and any Rebate Amount in any Fund).

“Servicing Agreement” means the Servicing and Sale Agreement (Relating to Bond-Financed Programs) dated _____, 2019, between the Issuer and the Servicer, as amended from time to time.

“Servicer” means Lakeview Loan Servicing, LLC, or any successor to its duties under the Agreement.

“Special Record Date” means, with respect to the payment of any defaulted interest on Bonds, a date fixed by the Trustee pursuant to Section 2.2(G) hereof.

“State” means the State of Texas.

“Supplemental Indenture” means any indenture hereafter duly authorized under and in compliance with the Act and this Indenture, and entered into between the Issuer and the Trustee, which supplements, modifies, or amends this Indenture.

“Term Bonds” means the Bond subject to mandatory sinking fund redemption.

“Trust Estate” means all of the assets and rights specified in Granting Clauses First through Fifth above.

“Trustee” means Wells Fargo Bank, National Association, or any successor Trustee appointed or otherwise permitted under Section 7.1 hereof.

“Trustee’s Fee” means the fee payable to the Trustee on each Interest Payment Date, in an amount equal to 1/2 of ___% times the total principal amount of Bonds Outstanding as of the preceding Interest Payment Date.

“USDA-RHS” means the Rural Housing Service of the United States Department of Agriculture, its successors and assigns.

“USDA-RHS Mortgage Loan” means a Mortgage Loan guaranteed by the USDA-RHS.

“VA” means the Department of Veterans Affairs, an agency of the United States of America, or any successor to its functions.

“VA Mortgage Loan” means a Mortgage Loan that is guaranteed by the VA under the Serviceman’s Readjustment Act of 1944, as amended.

Section 1.3 Interpretations. (A) (1) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms refer to this Indenture, and the term “heretofore” means before, and the term “hereafter” means after, the date of this Indenture;

(2) words of the masculine gender mean and include correlative words of the feminine gender and neuter state, and words importing the singular number mean and include words importing the plural number, and vice versa;

(3) any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(4) this Indenture shall be governed by and construed in accordance with the applicable laws of the State;

(5) words importing the redemption or redeeming of a Bond or the calling of such a Bond for redemption include the payment of such Bond at its stated maturity; and words

importing the paying or redemption of Bonds shall include words importing the paying or redemption of portions of Bonds;

(6) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon; and

(7) any moneys, documents, securities, obligations, or other items received by the Trustee for the account of the Issuer pursuant to the terms of this Indenture, other than as compensation for services, shall be deemed to have been received by the Issuer.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Issuer, the Trustee, and the Owners of the Bonds, any right, remedy, or claim under or by reason of this Indenture, or any covenant, condition, or stipulation hereof. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Issuer and the Trustee, subject to Section 10.1 hereof, shall be for the sole and exclusive benefit of the Issuer, the Trustee and the Owners of the Bonds.

(C) Every “request,” “order,” “demand,” “application,” “notice,” “statement,” “certificate,” “consent,” “instruction,” or similar action hereunder shall, unless the form thereof is specifically provided herein, be in writing and signed by a person who is authorized to sign a “certificate,” as that term is defined in Section 1.2.

Section 1.4 Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based, if any; (3) a statement that, in the opinion of such person, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion with respect to the subject matter referred to in the instrument to which their signature is affixed (or, if no investigation was made, a statement to that effect); and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Issuer, a Lender, or the Servicer may be based, insofar as it relates to legal, accounting, or Program matters, upon a certificate or opinion of or representation by counsel, an accountant or a Program consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, or a Program consultant may be based insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer, the Servicer or the Lenders) upon a certificate or opinion of or representation by an officer of the Issuer, the Servicer or one or more Lenders, unless such counsel, accountant or Program consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representations may be based, as aforesaid, is erroneous. The same officer of the Issuer, the Servicer or a Lender, or the same counsel, accountant or a Program consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or Program consultants may certify to different matters, respectively.

ARTICLE II.
THE BONDS

Section 2.1 Authorization of Bonds. The Issuer hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$40,000,000.

Section 2.2 Terms of the Bonds.

(A) The Bonds shall be issued in fully registered form in principal denominations of \$5,000, and any integral multiple of \$5,000.

(B) The Bonds shall be numbered in consecutive numerical order from R-1 upward; provided that the initial Bonds shall be numbered in consecutive numerical order from T-1 upward. The Bonds shall contain such other designations as the Trustee shall determine. The Bonds shall be registered as described in Section 2.10(A).

(C) The Bonds shall be dated May 1, 2019. The Bonds shall be issued in the aggregate principal amount of \$40,000,000. The Bonds shall bear interest and mature in the following principal amounts:

\$ _____ Principal Amount of Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u> [†]
September 1, 2020		%	88271H _____
March 1, 2021			88271H _____
September 1, 2021			88271H _____
March 1, 2022			88271H _____
September 1, 2022			88271H _____
March 1, 2023			88271H _____
September 1, 2023			88271H _____
March 1, 2024			88271H _____
September 1, 2024			88271H _____
March 1, 2025			88271H _____
September 1, 2025			88271H _____
March 1, 2026			88271H _____
September 1, 2026			88271H _____
March 1, 2027			88271H _____
September 1, 2027			88271H _____
March 1, 2028			88271H _____
September 1, 2028			88271H _____
March 1, 2029			88271H _____
September 1, 2029			88271H _____
March 1, 2030			88271H _____
September 1, 2030			88271H _____

[†] Neither the Issuer nor the Underwriter takes responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the Bonds.

\$ _____ Principal Amount of Term Bonds

\$ _____ % Term Bonds Due March 1, 2035 (CUSIP: 88271H ____)

\$ _____ % Term Bonds Due March 1, 2040 (CUSIP: 88271H ____)

\$ _____ % Term Bonds Due March 1, 2045 (CUSIP: 88271H ____)

\$ _____ % Term Bonds Due March 1, 2050 (CUSIP: 88271H ____)

\$ _____ % Term Bonds Due March 1, 2049 (CUSIP: 88271H ____)
(Premium PAC Bonds)

(D) Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after the Record Date with respect to an Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to the first Interest Payment Date with respect thereto, in which event it shall bear interest from the Issuance Date. If, as of the date of any Bond, interest is in default on the Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or if interest has never been paid on such Bond, from the Issuance Date.

(E) Principal of the Bonds and interest on the Bonds are payable by check of the Trustee mailed on the Interest Payment Date thereof to the person in whose name the Bonds (or any predecessor Bonds) are registered on the registration books of the Trustee on the Record Date with respect to each Interest Payment Date; provided, however, that payment of such interest shall be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000 at the risk and expense of the Owner, if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purposes at least five Business Days before the applicable Record Date; and provided further that the final payment of principal shall be made upon presentation of the Bond at the Operations Office of the Trustee. Debt Service is payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

(F) The Bonds shall be limited obligations of the Issuer payable solely from the Trust Estate and such other sources as are specifically pledged to their payment pursuant to this Indenture. The Bonds shall constitute a valid claim of the respective Owners thereof against such Trust Estate, which is pledged to secure the payment of the principal amount or redemption price of and interest on the Bonds, and which shall be utilized for no other purpose, except as expressly authorized in this Indenture. The Bonds shall never constitute general obligations of the Issuer and under no circumstances shall the Bonds ever be payable from, nor shall the Owner thereof have any rightful claim to, any income, revenues, funds or assets of the Issuer other than those pledged hereunder as security for the payment of the Bonds. **THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR ANY PREMIUM OR INTEREST ON THE BONDS OR OTHER OBLIGATIONS AND THAT THE FULL FAITH AND CREDIT AND THE TAXING POWER OF THE STATE OF TEXAS ARE NOT PLEDGED, GIVEN OR LOANED TO THE PAYMENT OF THE BONDS.**

(G) Any interest on any Bond which is payable pursuant to this Indenture, but which is not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest"),

shall cease to be payable to the Owner as of the regular Record Date. Defaulted Interest shall be paid by the Trustee (but only from the sources provided herein) to the persons whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on the “Special Record Date” for the payment of Defaulted Interest. The Trustee shall fix the Special Record Date and the payment date. The Special Record Date shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Trustee shall promptly notify the Issuer of the Special Record Date. In the name of the Issuer, the Trustee shall cause notice of the date and amount of the proposed payment of the Defaulted Interest and the Special Record Date to be mailed, first class postage prepaid, to each Owner at its address as it appears in the Bond register, not less than 10 days prior to such Special Record Date.

Section 2.3 Execution, Authentication, and Delivery of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of the President or Executive Vice President of the Issuer and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Issuer. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated by the Trustee or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered, and issued, and, upon such authentication, delivery, and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer.

Also, any Bond may be signed and attested on behalf of the Issuer by such persons who as of the actual date of execution of such Bond shall be the proper officers of the Issuer although at the dated date of such Bond any such person shall not have been such officer of the Issuer.

The President, any Executive Vice President, the Secretary and the Treasurer of the Issuer are hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to such Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State, and their registration by the Comptroller of Public Accounts of the State. Upon registration of such Bonds said Comptroller of Public Accounts of the State (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller’s Registration Certificate attached to such Bonds and the seal of said Comptroller shall be impressed, or placed in facsimile, on such certificate. Initial Bonds manually executed by the Comptroller of Public Accounts of the State (or a deputy designated in writing to act for said Comptroller) are not required to be authenticated by the Trustee.

The approving legal opinion of Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Indenture, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Definitive Bonds, after execution by the Issuer, shall be delivered to the Trustee. No definitive Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until such Bond has been duly authenticated by the Trustee by the execution of the certificate of authentication appearing on such Bond. The certificate of authentication appearing on any Bond shall be deemed to have been duly executed by the Trustee if manually signed by an authorized officer or employee of the Trustee. It shall not be required that the same officer of the Trustee sign the certificate of authentication on all of the Bonds.

Upon receipt of the following instruments, the Trustee shall authenticate the Bonds by executing the certificate of authentication appearing on each Bond:

- (A) executed counterparts of this Indenture and the Servicing Agreement;
- (B) a copy of the resolution or resolutions of the Board of Directors of the Issuer authorizing the execution and delivery of this Indenture and the Agreements and the issuance, execution, and delivery of the Bonds, duly certified by the Secretary of the Issuer;
- (C) an opinion of Bond Counsel, substantially to the effect that the Bonds constitute legal, valid, and binding limited obligations of the Issuer, subject to customary exceptions relating to bankruptcy and insolvency, and an opinion of Bond Counsel that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and judicial decisions, assuming compliance by the Issuer with certain covenants set forth in this Indenture and the Agreements necessary to satisfy the requirements of sections 143 and 148 of the Code;
- (D) an opinion or opinions of the Attorney General of the State approving the Bonds;
- (E) the certificate of registration of the Bonds from the Comptroller of Public Accounts of the State;
- (F) an opinion of counsel to the Servicer (or in lieu of an opinion, a certificate of the Servicer) addressed to the Issuer and the Trustee, as to the legal, valid, and binding obligations of the Servicer under the Servicing Agreement;
- (G) a Letter of Instructions from the Issuer to the Trustee instructing and authorizing the Trustee (i) to authenticate the Bonds delivered in exchange for the initial Bonds registered by the Comptroller of Public Accounts of Texas, (ii) to deliver the Bonds to or upon the order of the purchaser or purchasers thereof upon receipt of the purchase price therefor, (iii) to deposit the proceeds from the sale of the Bonds as provided in this Indenture, and (iv) to pay the Costs of Issuance specified therein; and
- (H) written evidence of a rating on the Bonds of “Aa1” from the Rating Agency.

Upon receipt of the purchase price for the Bonds specified in the Letter of Instructions described in subparagraph (G) of this Section, the Trustee shall deliver the Bonds to or upon the order of the purchaser or purchasers specified in such Letter of Instructions.

Only such of the Bonds as shall bear thereon either a manually signed Comptroller’s Registration Certificate or a certificate of authentication manually executed by the Trustee shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Comptroller’s Registration Certificate or authentication certificate of the Trustee, as the case may be, shall be conclusive evidence that the Bonds so registered or authenticated have been duly executed, registered or authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.4 Transfer of Bonds. The transfer of any Bond is registerable on the books required to be maintained pursuant to Section 2.6 hereof upon the surrender of such Bond for cancellation and registration of transfer at the Operations Office of the Trustee, accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Owner or by his attorney duly authorized in writing, provided, however, that the Trustee shall not be required to register the transfer of or exchange any Bond during the period between the Record Date and the next Interest Payment Date or during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds called for redemption after the call for redemption and prior to the redemption date.

Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount and of the same series and tenor. The Trustee may require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer and may require the payment by such Owner of a charge equal to the customary fee charged by the Trustee for such transfers.

Section 2.5 Exchange of Bonds. Bonds may be exchanged at the Operations Office of the Trustee for a like aggregate principal amount of Bonds of authorized denominations of the same series and tenor. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.6 Bond Register. The Trustee will keep or cause to be maintained, at its Principal Office, sufficient books for the registration and registration of transfer of the Bonds, which shall be open to inspection by the Issuer during regular business hours, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on such books, of Bonds as hereinbefore provided. The Issuer and the Trustee may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes and the Issuer and the Trustee shall not be affected by any notice to the contrary.

Section 2.7 Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when available for delivery. Any temporary bond may be printed, lithographed, or typewritten, shall be of such denomination as may be determined by the Issuer, shall be in registered form without coupons, and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount, and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. Except for Bonds registered in the name of Cede & Co. pursuant to Section 2.10 hereof, if the Issuer issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same series, maturity, and tenor. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.8 Bonds Mutilated, Lost, Destroyed, or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and disposed of in accordance with its policies. If any Bond shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given (provided that the unsecured indemnity of Federal Home Loan Mortgage Corporation shall be deemed satisfactory for this purpose), the Issuer, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and series in lieu of and in substitution for the Bond so lost, destroyed, or stolen. The Issuer may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Issuer and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed, or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed, or stolen is at any time enforceable by anyone, and shall be equally and

proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. If any such Bond shall have matured, the Trustee instead of issuing a replacement Bond may pay the same upon receipt of indemnity in favor of the Trustee and the Issuer and in form and substance satisfactory to the Trustee and the Issuer. If, after delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment or registration such original Bond, the Trustee shall be entitled to recover such replacement Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

Section 2.9 Additional Bonds. No additional Bonds may be issued under this Indenture.

Section 2.10 Book-Entry Only System.

(A) The initial Bonds shall be registered in the name of Cede & Co., as nominee of DTC. The definitive Bonds shall be registered in the name of Cede & Co. (or such other name specified by DTC), as nominee of DTC, as long as such Bonds are held in book-entry form with DTC. So long as the Bonds are registered in the name of Cede & Co., the following provisions of this Section, and the provisions of Section 2.11 and Section 2.12 hereof, shall be applicable, except as amended by a Supplemental Indenture.

(B) With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Bond register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond register, of the principal and interest, and premium, if any, with respect to the Bonds. Notwithstanding any other provision of this Indenture to the contrary, the Issuer and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the Bond register as the absolute owner of such Bond for the purpose of payment of the principal and interest, and premium, if any, with respect to the Bonds, for the purpose of registering transfer with respect to such Bond, for the purpose of receiving redemption notices, and for all other purposes whatsoever. The Trustee shall pay the principal and interest, and premium, if any, with respect to the Bonds only to or upon the order of the respective Owners, as shown in the Bond register as provided in this Indenture, or their respective agents duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of the principal and interest, and premium, if any, with respect to the Bonds, to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond register, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the phrase "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

Section 2.11 Successor Securities Depository; Transfer Outside Book-Entry Only System. If the Issuer (or DTC Participants owning at least fifty percent (50%) of the principal amount of the Bonds (based on current DTC records)) determines that DTC is incapable of discharging its responsibilities described herein and in the related letter of representations of the Issuer to DTC, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain Bond certificates, or if DTC discontinues the services described herein, the Issuer shall (a) appoint a successor securities depository,

qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more Bonds to such successor securities depository, or (b) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Bond register in the name of Cede & Co., as nominee of DTC, but may be registered, at the expense of the Issuer, in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture. In connection therewith, the Trustee may rely conclusively upon information provided by DTC with respect to the identity and interests of the DTC Participants and upon information provided by said DTC Participants with respect to the beneficial owners of the Bonds.

Section 2.12 Payments to Cede & Co. Notwithstanding any other provision of this Indenture to the contrary, so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments of the principal and interest, and premium, if any, with respect to such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the related letters of representations of the Issuer and the Trustee to DTC.

Section 2.13 Cancellation and Disposition of Bonds. The Trustee as registrar and transfer agent for the Bonds shall cancel all Bonds surrendered to it for registration of transfer, exchange, payment or cancellation and shall dispose of canceled Bonds in accordance with its regulations.

ARTICLE III.
REDEMPTION PROVISIONS FOR THE BONDS

Section 3.1 Establishment and Application of Redemption Fund for the Bonds. The Trustee shall establish, maintain, and hold in trust a separate fund designated as the “Redemption Fund.” The Trustee shall apply all amounts deposited in the Redemption Fund to the redemption of the Bonds, in accordance with the provisions of this Article III.

Section 3.2 Redemption Provisions. The Bonds are subject to redemption prior to maturity as follows:

(A) The Bonds shall be subject to mandatory redemption in whole or in part on _____ 1, 20__ from moneys in the Program Fund that have not been applied to the purchase of Certificates by _____, 20__, at a redemption price equal to 100% of the principal amount thereof (or, in the case of the Premium PAC Bonds and the Term Bonds maturing March 1, 2040, March 1, 2045 and March 1, 2050, at the following redemption prices, plus accrued interest to the redemption date; *provided that* the dates set forth in this paragraph may be extended at the option of the Issuer, subject to the satisfaction of the conditions set forth in Section 4.2(E).

Bond Maturity Date	Redemption Price
March 1, 2040	%
March 1, 2045	%
March 1, 2050	%
March 1, 2049 (Premium PAC Bonds)	%

(B) The Bonds shall be subject to mandatory redemption, in whole or in part on the first day of each month, commencing June 1, 2019, from moneys deposited in the Redemption Fund, pursuant to Section 4.4(E), if amounts in the Redemption Fund exceed \$25,000 on such date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

(C) The Bonds shall be subject to redemption, at the option of the Issuer, on or after March 1, 2029, in whole or in part on any date, with moneys from any source (provided that such moneys are not, as established by an opinion of nationally recognized bankruptcy counsel selected by the Issuer and acceptable to the Trustee, recoverable as preferences under the United States Bankruptcy Code), at a redemption price equal to 100% of the principal amount of the Bonds to be so redeemed, plus accrued interest to the redemption date.

In connection with any partial optional redemption of Bonds under this Section 3.2(C), the Trustee shall receive written confirmation by the Rating Agency to the effect that the rating on the Bonds remaining Outstanding will not be adversely affected by such redemption.

(D) The Term Bonds shall be subject to mandatory sinking fund redemption from amounts deposited in the Principal Fund, on the dates and in the principal amounts shown below:

Term Bonds Maturing March 1, 2035			
Redemption Date	Principal Amount	Redemption Date	Principal Amount
March 1, 2031		September 1, 2033	
September 1, 2031		March 1, 2034	
March 1, 2032		September 1, 2034	
September 1, 2032		March 1, 2035 [†]	
March 1, 2033			

Term Bonds Maturing March 1, 2040			
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2035		March 1, 2038	
March 1, 2036		September 1, 2038	
September 1, 2036		March 1, 2039	
March 1, 2037		September 1, 2039	
September 1, 2037		March 1, 2040 [†]	

Term Bonds Maturing March 1, 2045			
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2040		March 1, 2043	
March 1, 2041		September 1, 2043	
September 1, 2041		March 1, 2044	
March 1, 2042		September 1, 2044	
September 1, 2042		March 1, 2045 [†]	

[†] Maturity Date

Term Bonds Maturing March 1, 2050			
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2045		March 1, 2048	
March 1, 2046		September 1, 2048	
September 1, 2046		March 1, 2049	
March 1, 2047		September 1, 2049	
September 1, 2047		March 1, 2050 [†]	

Premium PAC Bonds (Term Bonds Maturing March 1, 2049)			
Redemption Date	Principal Amount	Redemption Date	Principal Amount*
September 1, 2024		March 1, 2037	
March 1, 2025		September 1, 2037	
September 1, 2025		March 1, 2038	
March 1, 2026		September 1, 2038	
September 1, 2026		March 1, 2039	
March 1, 2027		September 1, 2039	
September 1, 2027		March 1, 2040	
March 1, 2028		September 1, 2040	
September 1, 2028		March 1, 2041	
March 1, 2029		September 1, 2041	
September 1, 2029		March 1, 2042	
March 1, 2030		September 1, 2042	
September 1, 2030		March 1, 2043	
March 1, 2031		September 1, 2043	
September 1, 2031		March 1, 2044	
March 1, 2032		September 1, 2044	
September 1, 2032		March 1, 2045	
March 1, 2033		September 1, 2045	
September 1, 2033		March 1, 2046	
March 1, 2034		September 1, 2046	
September 1, 2034		March 1, 2047	
March 1, 2035		September 1, 2047	
September 1, 2035		March 1, 2048	
March 1, 2036		September 1, 2048	
September 1, 2036		March 1, 2049 [†]	

If Term Bonds are subject to redemption (other than by mandatory sinking fund redemption) or purchase in part, the sinking fund payments for such maturity shall be reduced on a pro rata basis.

[†] Maturity Date

Section 3.3 Selection of Bonds for Redemption.

(A) Selection Procedure for Mandatory Redemption Due to Nonorigination. If Bonds are subject to mandatory redemption pursuant to Section 3.2(A), the Bonds will be redeemed on a pro rata basis.

(B) Selection Procedure for Mandatory Redemption from Amounts in Redemption Fund (representing Prepayments and Surplus Revenues). Amounts deposited in the Redemption Fund pursuant to Section 4.4(E) shall be applied to redeem Bonds in the following order of priority:

FIRST, such amounts shall be applied to redeem the Premium PAC Bonds down to the 100% PSA Outstanding Bond Amount for Premium PAC Bonds;

SECOND, after applying the amounts as described in clause FIRST above, and until the outstanding principal amount of all Bonds has been reduced to the applicable 400% PSA Outstanding Bond Amount for All Bonds, any remaining amounts shall be applied (i) first, to redeem the Term Bonds maturing March 1, 20__, until such Bonds are no longer Outstanding, and (ii) second, to redeem all other Bonds, except the Premium PAC Bonds, on a pro rata basis; and

THIRD, after applying the amounts as described in clauses FIRST and SECOND above, any remaining amounts shall be applied to redeem all Bonds, including the Premium PAC Bonds, on a pro rata basis.

The applicable “100% PSA Outstanding Bond Amount for Premium PAC Bonds” is the amount set forth in the second column of Exhibit B for the first day of the month on which the redemption of Premium PAC Bonds could occur. Such amounts have been calculated based on the principal amount of Premium PAC Bonds projected to remain Outstanding on each such date, after taking into account scheduled principal payments and projected redemptions of the Bonds based on a constant 100% PSA prepayment speed for the Certificates.

The applicable “400% PSA Outstanding Bond Amount for All Bonds” is the amount set forth in the third column of Exhibit B for the Interest Payment Date on which the redemption of the Bonds could occur on the first day of each month. The amounts in the column for each such date have been calculated based on the principal amount of all Bonds (including Premium PAC Bonds) projected to remain Outstanding on each such date, after taking into account scheduled principal payments and projected redemptions of Bonds based on a constant 400% PSA prepayment speed for the Certificates.

The Outstanding Bond Amounts in Exhibit B shall be reduced if Bonds are subject to mandatory redemption under Section 3.2(A). In such case, the amounts in the table shall be reduced, on a pro rata basis, by the principal amount of Bonds so redeemed.

(C) Selection Procedure for Optional Redemption in Part. If Bonds are subject to optional redemption in part under Section 3.2(C), the Bonds will be redeemed on a pro rata basis.

(D) Other Selection Procedures. Bonds (or portions thereof) shall be redeemed in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond. For purposes of determining Bonds or portions thereof to be redeemed within a single maturity, Bonds shall be selected by lot in a manner chosen by the Trustee.

Section 3.4 Notice of Redemption. Notice of redemption shall be mailed not less than 20 days (or in the case of a redemption under Section 3.2(A) not less than 5 days), and not more than 60

days, prior to the redemption date, in each case to the Owners of any Bonds, or portions thereof, designated for redemption at their addresses appearing on the registration books of the Trustee; provided that if the Bonds are registered pursuant to Section 2.10 hereof, notice of redemption shall be given to DTC by the method required by DTC. Each notice of redemption shall state the redemption date, the place or places of redemption and, if less than all Bonds are to be redeemed, the numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue. Neither the failure of an Owner to receive notice of redemption nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any Bond of such Owner; and neither the failure to mail a redemption notice to a particular Owner nor any defect in any such notice so mailed shall affect the sufficiency of any of the proceedings for the redemption of any Bond.

Notice of redemption shall be given by the Trustee for and on behalf of the Issuer. Such notice shall be deemed to have been given when mailed, first class postage prepaid, or, if applicable, by the method required by DTC, to the Owner of the Bond.

Section 3.5 Partial Redemption of Bonds. Upon surrender, if required, of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, a new Bond or Bonds of authorized denominations, equal in aggregate principal amount to, and of the same series and tenor as, the unredeemed portion of the Bond surrendered.

Section 3.6 Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys being held by the Trustee for payment of the redemption price of, and interest accrued to the redemption date on, the Bonds so called for redemption on the redemption date designated in such notice, said Bonds shall become due and payable at the redemption price specified in such notice and interest on the Bonds so called for redemption shall cease to accrue. Said Bonds shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest from the moneys held by the Trustee therefor.

All Bonds redeemed pursuant to the provisions of this Article III shall be canceled upon surrender thereof and disposed of by the Trustee in accordance with its policies.

Section 3.7 Purchase of Bonds in Lieu of Redemption. If at any time Bonds are subject to redemption, in lieu of such redemption the Issuer may direct the Trustee to purchase Bonds which would otherwise be subject to redemption, at a purchase price equal to or less than the related redemption price. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased shall be canceled by the Trustee and the face amount of the Bonds so purchased shall be applied as a credit against the Issuer's obligation to redeem such Bonds from such moneys.

ARTICLE IV.
FLOW OF FUNDS

Section 4.1 Initial Funds. On the Issuance Date, the Trustee shall receive (i) \$ _____ as sale proceeds of the Bonds and (ii) \$ _____ from the Issuer.

Section 4.2 Establishment and Application of Program Fund and Cost of Issuance Fund.

(A) The Trustee shall establish a Program Fund. On the Issuance Date the Trustee shall transfer \$ _____ of Bond proceeds to the Program Fund.

The Trustee shall purchase each Certificate from moneys in the Program Fund at the applicable Certificate Sale Price from the Servicer or the Issuer. Upon the purchase of each Certificate, the Trustee shall transfer an amount equal to __% of the principal amount of such Certificate from the Program Fund to the Revenue Fund and __% of the principal amount of such Certificate to the Cost of Issuance Fund.

On the Nonorigination Redemption Date, unexpended amounts in the Program Fund shall be applied to redeem the Bonds pursuant to Section 3.2(A).

(B) The Trustee shall not disburse any amounts held in the Program Fund to purchase a Certificate from the Servicer or the Corporation unless each of the following conditions has been satisfied:

(i) the Certificate bears interest at the Pass-Through Rate; and

(ii) the Trustee has physical possession of the Certificate or evidence as to a book-entry with respect thereto in the name of the Trustee or its nominee such that the Trustee has a first priority perfected security interest at all times.

(C) The Certificates purchased by the Trustee from the Servicer or the Issuer shall be held by the Trustee in trust for the benefit of the owners of the Bonds and shall be held in book-entry form as described in this subsection. A Certificate will be issued in book-entry form through the book-entry system of the Federal Reserve System, pursuant to which the Certificate shall have been registered on the books of the New York or Dallas Branch of the Federal Reserve Bank in the name of the Trustee or a depository acting on its behalf (in either case, acting as a “participant” as defined in CFR § 357.2, as made applicable to 24 CFR Part 81); and if held by a depository, the Trustee shall have received confirmation in writing that the Depository is holding such Certificate on behalf of, and has identified such Certificate on its records as belonging to, the Trustee. If the Trustee does not receive payment or advice of payment from the Depository with respect to a Certificate when due by the close of business on the 15th day of any month in the case of GNMA I Certificates, or the 20th day of any month in the case of GNMA II Certificates (or, in each case, the next Business Day if the applicable day is not a Business Day), the Trustee shall demand payment from the applicable Person in connection with the guaranty of timely payments of principal and interest by GNMA.

(D) The Trustee shall establish and maintain for the Bonds a separate fund designated as the “Cost of Issuance Fund.” The Trustee shall deposit \$ _____ into such Fund on the Issuance Date from the Issuer’s initial deposit of funds. Moneys deposited in such Fund shall be used to pay Costs of Issuance in accordance with written instructions of the Issuer stating the Person to whom payment is to be made and the amount to be paid. On the first day of the second month following the final Nonorigination Redemption Date (or, if earlier, the first day of the second month after the month in which all of the moneys in the Program Fund have been expended for the purchase of Certificates and other authorized

purposes), the Cost of Issuance Fund shall be terminated, and any amounts then remaining on deposit therein shall be transferred in accordance with the written instructions of the Issuer. Amounts on deposit in the Cost of Issuance Fund are not pledged for the payment of Debt Service of the Bonds. The foregoing notwithstanding, the Issuer covenants that Costs of Issuance paid from the sale proceeds of the Bonds shall not exceed the amount permitted by section 147(g) of the Code.

(E) The Nonorigination Redemption Date may be extended one or more times as to all or a portion of moneys in the Program Fund, if (a) the Issuer provides to the Trustee an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (b) the Trustee shall have received any additional moneys as required by a Cash Flow Analysis and accompanied by an opinion of nationally recognized bankruptcy counsel selected by the Issuer to the effect that such moneys are not recoverable as preferences under the United States Bankruptcy Code, and (c) the Rating Agency shall provide to the Issuer written confirmation that such extension will not adversely affect the rating on the Bonds.

(F) The Trustee shall establish and maintain for the Bonds a separate fund designated as the “Capitalized Interest Fund.” On the Issuance Date, the Trustee shall deposit \$ _____ in such Fund from the Issuer’s initial deposit. Moneys deposited in the Capitalized Interest Fund shall be used by the Trustee to pay interest on the Bonds and Program Expenses, and make any required transfer to the Rebate Fund, to the extent insufficient amounts are available for such purpose in the Revenue Fund or the Rebate Fund. On the first day of the second month following the final Nonorigination Redemption Date (or, if earlier, the first day of the second month after the month in which all moneys in the Program Fund have been expended for the purchase of Certificates and other authorized purposes), the Capitalized Interest Fund shall be terminated, and any amounts then remaining on deposit therein and not required to be transferred to the Rebate Fund shall be transferred to the Issuer free and clear of the lien of the Indenture.

Section 4.3 Establishment and Application of Revenue Fund. The Trustee shall establish, maintain, and hold in trust a separate fund designated as the “Revenue Fund.” All Revenues shall be deposited to such Revenue Fund, provided that, upon receipt of the first payment with respect to a Certificate following the Certificate Purchase Date, the Trustee shall pay to the Servicer that portion of the interest received as shall reflect the amount of accrued interest that would have been paid had the Certificate been purchased with accrued interest, which portion of interest shall be determined by the Servicer and certified to the Trustee. All Revenues shall be held by the Trustee in trust for the benefit of the Owners at any time of the Bonds; and the Issuer shall have no beneficial right or interest in any of such moneys, except as otherwise expressly provided in this Indenture.

The Certificates acquired by the Trustee on behalf of the Issuer with respect to the Bonds shall be held at all times by the Trustee in trust for the benefit of the Owners of the Bonds. If the Trustee does not receive a payment when due under the terms of the Certificate the Trustee shall immediately notify, and demand immediate payment from, GNMA.

Section 4.4 Establishment of Other Funds for the Bonds; Allocation of Revenues for the Bonds. The Trustee shall establish, maintain, and hold in trust the following respective separate Funds in addition to the Redemption Fund created pursuant to Section 3.1 hereof: (1) the Interest Fund, (2) the Principal Fund, and (3) the Program Expense Fund.

On or before the first Business Day of a month, the Trustee shall transfer, from amounts deposited in the Revenue Fund during the prior month, the following amount to the following Funds, in the following order of priority:

(A) to the Interest Fund, the amount necessary, together with any moneys then on deposit in such Fund, to provide for the payment of all interest due and payable on the Bonds on the next Interest Payment Date;

(B) to the Principal Fund, the amount necessary, together with any moneys then on deposit in such Fund, to provide for the payment of all principal due and payable on the Bonds (by maturity or by sinking fund redemption) on the next Interest Payment Date;

(C) to the Rebate Fund, any Rebate Amount specified by the Rebate Analyst;

(D) to the Program Expense Fund, the amount necessary, together with any moneys on deposit in such Fund, to provide for the payment of all Program Expenses due and payable on the next Interest Payment Date; and

(E) any balance shall be transferred to the Redemption Fund; provided that a minimum balance of \$5,000 shall be retained in the Revenue Fund.

The funding requirements of each Fund (including the making up of any deficiencies in any such Fund resulting from lack of related Revenues sufficient to make any earlier required deposit) at the time of deposit shall be satisfied before any transfer is made to any Fund subsequent in priority.

Notwithstanding the foregoing, upon the optional redemption of the Bonds, amounts for any such redemptions shall be deposited in a special account of the Revenue Fund and applied to the redemption of Bonds on the applicable redemption date.

Section 4.5 Application of Program Expense Fund. Amounts in the Program Expense Fund shall be used and withdrawn by the Trustee for the purpose of paying the Program Expenses when due.

Section 4.6 Establishment and Application of Rebate Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Rebate Fund." The Rebate Analyst will calculate the Rebate Amount as provided herein. Within sixty (60) days after each year during which any Bonds remain Outstanding (or any other date specified by the Rebate Analyst), and within sixty (60) days after the date of redemption of the last maturity constituting a portion of the Bonds, the Rebate Analyst shall calculate the Rebate Amount for the immediately preceding Bond Year. The cost to the Issuer in making or obtaining such calculations shall be the Rebate Analyst's Fee and any rebate computation credit available under the Code (but only if such amounts are payable from excess earnings) and shall be paid from Revenue Fund, the Program Expense Fund or the Rebate Fund, as applicable. The Trustee may conclusively rely upon the calculation made by the Rebate Analyst and shall not be liable or responsible therefor.

(B) All amounts in the Rebate Fund shall be used and withdrawn by the Trustee at the written instruction of the Rebate Analyst as required above solely for the purposes set forth in this Section. If the amount in the Rebate Fund is for any reason insufficient to pay to the United States the amounts due as calculated pursuant to this Section, there shall be transferred to the Rebate Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority, regardless of any other claim on such Funds: (1) the Revenue Fund; (2) the Redemption Fund; or (3) any

other Fund established pursuant to this Indenture. If the Rebate Analyst determines that the Rebate Amount for such Bond Year is less than the amount credited to the Rebate Fund during such Bond Year, the Rebate Analyst shall instruct the Trustee to promptly transfer from the Rebate Fund to the Revenue Fund an amount equal to such difference.

(C) The Trustee shall pay to the United States of America at least once every five years an amount that the Rebate Analyst instructs it to make that will ensure that at least 90 percent of the Rebate Amount from the Issuance Date to the close of the period for which the payment is being made will have been paid. The Trustee shall pay to the United States of America not later than 60 days after the Bonds have been paid in full 100 percent of the amount then required to be paid under section 148(f) of the Code pursuant to the written instructions of the Rebate Analyst. The Issuer shall cooperate with the Trustee and the Rebate Analyst in the preparation and execution of all documentation required to be filed with the United States of America in connection with the making of the foregoing payments.

(D) The Trustee shall unconditionally be entitled to accept and rely upon the recommendations, advice, calculations and opinions of the Rebate Analyst as to actions required or not required to be taken by the Trustee to comply with the provisions of section 148(f) of the Code. The Trustee agrees to act in accordance with the recommendations, advice and opinions of the Rebate Analyst for the purpose of complying with any applicable provision of section 148(f) of the Code.

Section 4.7 Application of Interest Fund. Subject to Section 4.9 hereof, all amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Section 4.8 Application of Principal Fund and Redemption Fund. Subject to Section 4.9 hereof, all amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying principal of the Bonds as the same shall become due and payable. Subject to Section 4.9 hereof, all amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of, and premium, if any, on the Bonds.

Section 4.9 Deficiencies in the Interest Fund or Principal Fund.

(A) If the amount in the Interest Fund is insufficient to pay interest on the Bonds when due, the Trustee shall transfer to the Interest Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority: (1) the Capitalized Interest Fund, (2) the Revenue Fund, (3) the Redemption Fund (but not with respect to amounts for which notice of redemption has been given), and (4) the Principal Fund.

(B) If the amount in the Principal Fund is insufficient to pay the principal of the Bonds when due, the Trustee shall transfer to the Principal Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority: (1) the Revenue Fund, and (2) the Redemption Fund (but not with respect to amounts for which notice of redemption has been given).

Section 4.10 Investment of Moneys in Funds. Moneys deposited in the Program Fund and the Capitalized Interest Fund on the Issuance Date shall be invested in Investment Securities at the written direction of the Issuer. All other moneys in any of the Funds established pursuant to this Indenture shall be invested by the Trustee in Investment Securities as directed by the Issuer in a Letter of Instructions.

Moneys in all Funds established under this Indenture shall be invested in Investment Securities paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes hereof.

If the Investment Agreement is terminated prior to its term for any reason, the Issuer shall provide the Issuer written instructions regarding the reinvestment of such funds. The Trustee will not be liable for any loss related to the replacement Investment Security bearing a lower interest rate or yield than the Investment Agreement.

Investment Securities acquired as an investment of moneys in any Fund established under this Indenture shall be credited to such Fund. For the purpose of determining the amount in any such Fund, all Investment Securities credited to such Fund shall be valued in accordance with the Trustee's customary procedures. In order to avoid loss in the event of any need for funds, the Issuer may instruct the Trustee, in lieu of a liquidation or redemption of investments in the fund or account needing moneys, to exchange such investments for investments in another fund or account that may be liquidated at no, or at a reduced, loss.

To insure that cash on hand is invested, if the Issuer does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall invest cash balances in the Wells Fargo 100% U.S. Treasury Money Market Fund (provided that such Fund qualifies as an Investment Security) or other 100% U.S. Treasury money market or cash management fund that qualifies as an Investment Security. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested (provided that such investment is an Investment Security) and to charge its normal cash management fees, which may be deducted from income earned on investments. The Trustee may make any and all investments through its own bond or securities department or the bond or securities department of any affiliate of the Trustee.

All interest, profits, and other income earned from investment of moneys in any Fund (other than the Rebate Fund or the Cost of Issuance Fund, each of which shall retain its earnings) shall be deposited when received in the Revenue Fund. In order to avoid loss in the event of any need for funds, the Issuer may instruct the Trustee, in lieu of a liquidation or redemption of investments in the fund or account needing funds, to exchange such investments for investments in another fund that may be liquidated at no, or at a reduced, loss.

Subject to Section 5.8 hereof, moneys in the Funds may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds those amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in this Indenture. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the Fund to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment or the sale thereof. Provided that the Trustee makes investments as prescribed herein, the Trustee shall not be liable or responsible for the Bonds becoming "arbitrage bonds" within the meaning of section 148 of the Code.

Section 4.11 Disposition of Certificates. The Issuer shall have the right to direct the Trustee to sell or otherwise dispose of some or all of the Certificates to effect an optional redemption of the Bonds pursuant to Section 3.2(C), on a date for which notice of redemption is timely given, at the applicable redemption price, or to effect a purchase in lieu of any such redemption in accordance with Section 3.7; provided that if the Bonds are redeemed or purchased in part, the Trustee shall have received written

confirmation from the Rating Agency that the rating of the remaining Outstanding Bonds will not be adversely affected; and

In connection with any optional redemption of the Bonds in part under Section 3.2(C), or a purchase of the Bonds in part, excess proceeds from the sale of the Certificates or excess moneys held under the Indenture may be distributed to the Issuer upon its written request, but only if the Trustee shall have received (i) an opinion of Bond Counsel to the effect that such distribution to and use of any such moneys by the Issuer will not cause interest on the Bonds to become includable in gross income for federal income tax purposes pursuant to section 103(a) of the Code, and (ii) all Program Expenses then due or anticipated to be due have been paid or will be provided for.

Section 4.12 Trustee to Purchase Certificates. The Trustee hereby agrees to purchase Certificates from the Servicer or the Issuer, at the applicable Certificate Sale Price, to the extent that funds are available therefor in the Program Fund (and other applicable Funds), and all conditions of this Indenture are met for the purchase of Certificates.

ARTICLE V. PARTICULAR COVENANTS

Section 5.1 Punctual Payment. The Issuer shall punctually pay or cause to be paid the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to their maturity, the amount to be paid shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 5.2 Extension of Payment of Bonds. The Issuer shall not, directly or indirectly, extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Issuer to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 5.3 No Other Encumbrances. The Issuer shall not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues or other assets pledged or assigned under this Indenture with respect to the Bonds while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Section 5.4 Power to Issue Bonds and Make Pledge and Assignment. The Issuer is duly authorized pursuant to the Constitution and laws of the State, including the Act, to issue the Bonds and to enter into this Indenture, and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be legal, valid, and binding limited obligations of the Issuer in accordance with their terms, and the Issuer and Trustee shall at all times, to the extent permitted by law, defend, preserve, and protect said pledge and assignment of the related Revenues and other assets and all the rights of the Owners under this Indenture against all claims and demands of all Persons whatsoever.

Section 5.5 Payment of Taxes and Claims. With respect to the Bonds, the Issuer or the Trustee, at the written direction of the Issuer, shall, from time to time but solely from funds available therefor under this Indenture, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments, or other governmental charges that may be lawfully imposed upon the Revenues with respect to such series or other assets pledged or assigned under this Indenture, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon such Revenues or such other assets or which might impair the security of the Bonds.

Section 5.6 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Revenues, Certificates, if any, and all related Funds established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Trustee, the Issuer, the Rating Agency and the Owners of at least 10% of the aggregate principal amount of all Bonds then Outstanding, or by the agents or representatives thereof duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Issuer and the Trustee shall also provide to the Rating Agency such information as the Rating Agency shall reasonably request, including, but not limited to, the periodic reports customarily required to be submitted in order to maintain the credit rating on the Bonds.

Section 5.7 Maintenance of Powers. As long as Bonds remain Outstanding, the Issuer shall use its best efforts to preserve its existence as a nonprofit corporation organized pursuant to the Act, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function and to maintain the related Revenues. The Issuer shall at all times use its best efforts to maintain the powers, functions, duties, and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer, or permit any act or thing the effect of which would be to hinder, delay, or imperil either the payment of the indebtedness evidenced by the Bonds or the observance of any of the covenants herein contained.

Section 5.8 Tax Covenants.

(A) The Issuer shall not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Issuer or Trustee with respect to the Mortgage Loans in any manner, and shall not take or permit to be taken, to the best of its knowledge, any other action or actions, which would cause any Bond to be an “arbitrage bond” under section 148 of the Code or violate the requirements of section 143(g) of the Code. If at any time the Issuer is of the opinion that for purposes of this subsection (A) it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Issuer shall file a written request to such effect with the Trustee, and the Trustee shall use its best efforts consistent with the requirements of the Investment Agreement or any other investment to take such action as may be necessary in accordance with such instructions.

(B) The Issuer shall not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in section 103(a) of the Code. In particular, the Issuer covenants as follows: (i) that the Issuer will attempt in good faith to meet all mortgage eligibility requirements imposed by section 143 of the Code with respect to all of the Mortgage Loans, before the Mortgages are executed, by placing restrictions in the Lender Agreements and the Program Guidelines that permit the financing of Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including reasonable investigations by the Issuer or its agents to determine that the

Mortgage Loans satisfy such requirements; (ii) that the Issuer will use all due diligence to assure that 95% or more of the lendable proceeds of the Bonds that are devoted to owner financing under the Program shall be devoted to residences as to which, at the time the Mortgage Loans are executed or assumed, all such mortgage mortgagor eligibility requirements are met; and (iii) that the Issuer shall correct any and all failures to meet such mortgage eligibility requirements within a reasonable time after such failure is discovered by causing the nonqualifying Mortgage Loan to be called or to be replaced with a Mortgage Loan meeting such requirements.

(C) The Issuer and the Trustee reserve the right, however, to purchase any Investment Security permitted by the laws of the State if, when, and to the extent that the Code shall be repealed, amended or interpreted to permit the same or shall be held void by final judgment of a court of competent jurisdiction so as to permit the Issuer or the Trustee to do so, but only if such investment made by virtue of such repeal, amendment, interpretation, or decision would not, in the opinion of Bond Counsel, result in making the interest on the Bonds includable in gross income for federal income tax purposes.

(A) Any person, or any related party, as defined in Section 1.150-1 of the Treasury Regulations, as amended, from whom the Issuer may, under the Program, acquire obligations, shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of the obligations to be acquired under the Program from such person by the Issuer.

Without limiting the foregoing, the Issuer and the Trustee shall at all times use their reasonable best efforts to do and perform all acts and things permitted by law and this Indenture that are necessary or desirable in order to assure that interest paid on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes.

Section 5.9 Compliance with Indenture, Contracts, Laws and Regulations. The Issuer and the Trustee shall faithfully observe and perform all the covenants, conditions, and requirements of this Indenture as required of the Issuer and the Trustee, respectively, and the Issuer shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not suffer or permit any default to occur hereunder or do or permit to be done anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Issuer shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of the Bonds or the Certificates, Mortgage Loans or Revenues.

Section 5.10 Program Covenants.

(A) The Issuer shall from time to time, with all practical dispatch and in a sound and economical manner consistent with the Act, the Program, this Indenture, the Agreements, and all other applicable laws and regulations, cause the amounts held in the Program Fund to be used and applied to the purchase Certificates, and shall take all steps, actions, and proceedings reasonably necessary in the judgment of the Issuer to cause the terms, covenants, and conditions of the Agreements to be enforced.

(B) The Issuer covenants that amounts in the Program Fund shall be used to acquire Certificates backed by Mortgage Loans as originated by the Lenders that (1) are in compliance with the Act, the Program, the Agreements and this Indenture, and (2) in the aggregate have payments of principal and interest at least sufficient, together with other expected Revenues, as shown by the cash flow analysis prepared in connection with the initial delivery of the Bonds, to pay Debt Service on the Bonds when due and all related Program Expenses. The Trustee shall have no obligation to independently assure compliance with this covenant beyond the provisions of Section 4.2 hereof.

Section 5.11 Waiver of Laws. The Issuer shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension provision of law now or at any time hereafter in force that may adversely affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Issuer to the extent permitted by law.

Section 5.12 Further Assurances. The Issuer will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

ARTICLE VI. EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 6.1 Events of Default. The following events shall be considered Events of Default:

(A) default in the due and punctual payment of the principal amount or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption or by declaration of acceleration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) default by the Issuer in observance of any of the covenants, agreements, or conditions on its part contained in this Indenture or in the Bonds (other than in clauses (A) or (B) above), if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(D) the assumption, under the provisions of any law relating to bankruptcy or insolvency or any similar law relating to creditors rights, by any court of competent jurisdiction, of custody or control of the Issuer or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within 60 days from the date of assumption of such custody or control;

(E) the Issuer is adjudged insolvent by a court of competent jurisdiction or an order, judgment, or decree is entered by a court of competent jurisdiction appointing without the consent of the Issuer a receiver or trustee of the Issuer of the whole or any part of its properties or the Issuer is adjudged a bankrupt under a petition filed in bankruptcy under state law against the Issuer and any of the aforesaid adjudications, orders, judgments, or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(F) the Issuer shall file a petition in bankruptcy or an order for relief in bankruptcy is entered against the Issuer under the federal bankruptcy laws of any other applicable law or statute of the United States of America or any state thereof.

Section 6.2 Acceleration of Maturities. If an Event of Default under Section 6.1(A) or Section 6.1(B) hereof shall occur then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, upon notice in writing to the Issuer, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to

be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. If any other Event of Default shall occur then, and in each and every such case during the continuance of such Event of Default, the Trustee, upon the written direction of the Owners of 100% of the Bonds at the time Outstanding, shall, upon notice in writing to the Issuer, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, (i) the Issuer shall deposit, or cause to be deposited, with the Trustee a sum sufficient to pay the principal amount or redemption price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, (ii) any and all other defaults known to the Trustee (other than in the payment of principal amount or redemption price of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, and (iii) the Issuer shall execute an instrument acknowledging or reinstating, as appropriate, the Issuer's obligations with respect to the Bonds, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 6.3 Other Acts by Trustee. If an Event of Default hereunder shall occur and be continuing with respect to the Bonds, then the Trustee may and, upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount Outstanding of the Bonds, and upon being indemnified to its satisfaction, shall:

- (a) by mandamus or other suit, action, or proceeding at law or in equity require the Issuer to perform its covenants, representations, and duties under this Indenture;
- (b) bring suit upon such Bonds;
- (c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Owners of such Bonds;
- (d) by action or suit in equity enjoin any acts or things which may be unlawful or a violation of the rights of the Owners of such Bonds; or
- (e) take such other steps to protect and enforce its rights and the rights of the Owners of the Bonds, whether by action, suit, or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy.

Section 6.4 Judicial Proceedings. If an Event of Default hereunder shall occur, and be continuing, with respect to the Bonds, then the Trustee may, and upon written request by the Owners of not less than twenty-five percent (25%) in principal amount Outstanding of the Bonds and upon being indemnified to its satisfaction, shall, proceed by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any

other appropriate legal or equitable remedy, as the Trustee shall determine to be most effective to protect and enforce any of its rights or the rights of the Owners hereunder.

Section 6.5 Application of Revenues and Other Funds After Event of Default. If an Event of Default shall occur and be continuing, all Revenues and any other amounts then held or thereafter received by the Trustee under any of the provisions of this Indenture (exclusive of any amounts held in the Cost of Issuance Fund or any Rebate Amount and any moneys held pursuant to Section 10.8 hereof) shall be applied by the Trustee as follows and in the following order of priority:

(A) Notwithstanding any provision of the Indenture limiting the Trustee's fees, to the payment of the unpaid compensation of the Trustee under Section 7.2 hereof, any expenses of third parties (including counsel to the Issuer) necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, and reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel), incurred in and about the performance of its powers and duties under this Indenture;

(B) To the payment of the principal amount or redemption price of and interest then due on the Bonds (upon presentation and surrender of the Bonds to be paid) subject to the provisions of this Indenture (including Section 6.2 hereof), unless the principal amount and redemption price of all the Bonds shall have become or have been declared due and payable, as follows:

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

Second: To the payment to the Persons entitled thereto of the unpaid principal amount or redemption price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the principal amount or redemption price due on such date to the Persons entitled thereto, without any discrimination or preference;

(C) If the principal amount or redemption price of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest to the Persons entitled thereto without any discrimination or preference.

The payments of Rebate Amount required by Section 4.6 hereof to be made to the United States shall continue even if an Event of Default shall have occurred and be continuing.

Section 6.6 Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may

be available to such Owners under the provisions of the Bonds, this Indenture, the Agreements, the Act and applicable provisions of any other law. Upon instituting any proceeding permitted hereunder, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the related Revenues and other assets pledged to the Bonds under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceedings relating thereto, and any such suit, action, or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of Bonds subject to the provisions of this Indenture.

Section 6.7 Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder with respect to the Bonds, provided that the Trustee shall have been indemnified to its satisfaction and such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of counsel rendered to the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Section 6.8 Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action, or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act, or any other applicable law with respect to such Bond, unless (A) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (B) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action, or proceeding in its own name; (C) such Owner or said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request; and (D) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity, and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Act, or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 6.9 Absolute Obligation of Issuer. Nothing in this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal amount or redemption price of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged to the Bonds, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 6.10 Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Owners, then in

every such case the Issuer, the Trustee, and such Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers, and duties of the Issuer, the Trustee, and such Owners shall continue as though no such proceedings had been taken.

Section 6.11 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 6.12 No Waiver of Default. No delay or omission of the Trustee or of any Owner of Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 6.13 Proofs of Claims. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claim of the Trustee and the Owners allowed in any judicial proceeding relative to the Issuer, the Servicer or any other person, their creditors or their property. The expenses incurred by the Trustee in any insolvency proceeding shall be an administrative expense under any bankruptcy law. No provision of this Indenture empowers the Trustee to authorize, consent to, accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting any of the rights of any Owner of Bonds, or authorizes the Trustee to vote in respect of the claim in any proceeding described in this Section.

Section 6.14 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may assess reasonable costs including reasonable attorney's fees against the parties litigant in this suit having due regard for the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by an Owner pursuant to its rights under Section 6.8 above, or a suit by Owners of more than 10% in principal amount of the Bonds Outstanding.

ARTICLE VII. THE TRUSTEE

Section 7.1 Duties, Immunities, and Liabilities of Trustee.

(A) The Trustee shall, prior to an Event of Default, and after the curing of any such Event of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture or any other agreement relating hereto against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(B) The Issuer may remove the Trustee at any time with or without cause unless an Event of Default shall have occurred and then be continuing. The Issuer shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of all of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection

(E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, in each case by giving written notice of such removal to the Trustee and the Issuer shall appoint a successor Trustee by an instrument in writing provided, however, that the Rating Agency is notified in writing that any such successor trustee has been appointed.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Issuer and by giving the Owners notice of such resignation by written notice sent by first-class mail, but such resignation shall not be effective until the successor Trustee shall have been appointed and has accepted such appointment as herein provided. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee and the payment to the predecessor of its compensation and reasonable expenses due to it. Promptly upon such acceptance, the Issuer shall give written notice thereof to the Owners in writing. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of the giving of notice of removal or resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Issuer and to the predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the Issuer or the request of the successor Trustee, such predecessor Trustee, upon being paid any unpaid compensation due hereunder, shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the or Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, national banking association, or bank having the powers of a trust company and having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), such shall resign immediately in the manner and with the effect specified in this Section.

(F) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all its corporate trust business, provided such company shall be eligible under subsection (E) of this Section, shall be the

successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

(G) Regardless of whether there exists and is continuing an Event of Default, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers.

(H) The Trustee shall not be required to take notice or be deemed to have taken notice hereunder of any event which would constitute an Event of Default hereunder or under the Agreements, except Event of Defaults under Section 6.1(A) and Section 6.1(B) hereof, or by actual knowledge of such event or Event of Default by a Responsible Officer of the Trustee (as defined in Section 7.5) unless the Trustee shall be specifically notified in writing by the Issuer or by the Owners of not less than 25% of the principal amount of the Bonds. Actual knowledge means the fact of knowing without a duty to investigate.

(I) The Trustee, in its commercial banking or any other capacity, may become the owner, underwriter, or pledgee of Bonds or other certificates or evidences of ownership or pledge thereof issued hereunder, with the same rights it would have if it were not the Trustee.

Section 7.2 Compensation. The Trustee's ordinary fees and expenses shall be limited to an amount equal to the Trustee's Fee and shall be payable solely from amounts in the Program Expense Fund. As security for the payment of the Trustee's fees, costs, and expenses, the Trustee, after and during the continuance of an Event of Default under Section 6.1(A) or Section 6.1(B), shall have a first lien on all moneys and property coming into its possession (except for any moneys on deposit with the Trustee which is held in the Principal Fund, Interest Fund, or Redemption Fund for the purpose of paying to Owners principal, premium, if any, or interest which has previously become payable with respect to the Bonds). In the event the Trustee incurs expenses or renders services in any proceedings that result from the occurrence or continuance of any other Event of Default, or from the occurrence of any event that, by virtue of the passage of time, would become such Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 7.3 Liability of Trustee. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, any other agreement relating hereto or the Bonds or in respect of the security afforded by this Indenture, and shall incur no responsibility in respect thereof or with respect to the issuance of Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Issuer, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct; provided, however, this sentence will not be construed to limit the effect of the first sentence of Section 7.1(A) hereof relating to the Trustee's administrative duties prior to an Event of Default. The Trustee may become the owner of Bonds and be a Lender with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 7.4 Right of Trustee to Rely on Documents. The Trustee shall be fully protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Issuer, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer, the Servicer, or GNMA, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 7.5 Preservation and Inspection of Documents and Other Rights of the Trustee. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Rating Agency, and the Owners of at least 10% of the aggregate principal amount of the Bonds then Outstanding or by agents or representatives thereof duly authorized, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions, as well as by others at the direction of the Issuer or any agent of the Issuer, so long as the Trustee is compensated or reimbursed for any expenses incurred.

Regardless of whether there is an Event of Default, the Trustee shall not be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit, or to advance any of its own moneys, unless properly indemnified to its satisfaction against the costs, expenses, and liabilities which may be incurred thereby solely from moneys available hereunder or by the Owners. The Trustee shall not be personally liable with respect to (i) an error of judgment made in good faith by a Responsible Officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, (ii) any action taken, suffered, or omitted to be taken by it in good faith, in accordance with the directions of Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture, or (iii) the Bonds becoming “arbitrage bonds” with the meaning of the Code, if the Trustee makes investments pursuant to instructions contained in this Indenture. The immunities, exemptions, and indemnifications from liability of the Trustee under this Indenture shall extend to its directors, officers, employees, and agents. Whenever this Indenture provides that the Trustee shall take any action, including the giving of any notice, or refrain from taking any action upon the happening or continuation of a specified event or upon the fulfillment of any condition or upon the request of the Owners, the Trustee shall have no liability for failure to take such action or for failure to refrain from taking such action, unless and until the Responsible Officer of the Trustee at the Trustee’s Principal Office has knowledge of such event, in the case of events specified in Section 6.1(A) or Section 6.1(B) hereof, or written notification of such event in the case of other events, or continuation thereof or the fulfillment of such condition or shall have received such request.

“Responsible Officer of the Trustee” shall mean the officer or officers of the Trustee specifically administering the Indenture.

Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Issuer, the Servicer, the Rebate Analyst or any other person of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys, accountants, or receivers and shall not be responsible for the acts of any agents, attorneys, accountants, or receivers appointed with due care. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate or partnership action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee. The Trustee's immunities and protections from liability, and its right to payment of compensation and indemnification in connection with performance of its duties and obligations under this Indenture shall survive the Trustee's resignation and removal, or the final payment of the Bonds.

Except for information provided by the Trustee in writing concerning the Trustee, the Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds. The Trustee shall have no responsibility for compliance with securities laws in connection with issuance of the Bonds. The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture. In the event that the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Owners of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

Notwithstanding anything contained in this Indenture or the Agreements to the contrary, the Trustee has no duty or obligation to service the Mortgage Loans or to otherwise administer the Program or to monitor or evaluate the performance by the Issuer, the Servicer, any Lender or any other person of their respective duties and obligations under the Agreements, but only to perform the specific duties, obligations, and agreements it has agreed to perform in this Indenture and to receive reports and documents pursuant to the Agreements and to exercise certain rights of the Issuer in the Agreements assigned to it by the Issuer in the Indenture when the Trustee may be obligated to exercise such rights.

Section 7.6 Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in this Indenture.

Section 7.7 Trustee to Furnish Information.

(A) The Trustee shall furnish to the Rating Agency, notice of (i) any defeasance or discharge pursuant to Article IX hereof, (ii) the obtaining of any new investment agreement, (iii) the termination of

any investment agreement, (iv) the sale of any collateral, (v) any supplemental indenture, and (vi) the appointment of a successor trustee, and (vii) the redemption of the Bonds in whole. At the request of the Rating Agency, the Trustee shall also furnish any information reasonably required by the Rating Agency for the purpose of maintaining a rating for the Bonds.

(B) For the calendar year in which such request is received, upon written request of any Owner or person or entity which provides evidence acceptable to the Trustee that such person or entity has a legal or beneficial interest in at least \$1,000,000 in principal amount of Bonds, the Trustee shall furnish to such Owner or person or entity the annual statement prepared by the Trustee pursuant to Section 5.6 hereof.

ARTICLE VIII. MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 8.1 Amendments Permitted.

(A) This Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturity of any Bond, or reduce the amount or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereof without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of which the Owners of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues, or any other assets pledged under this Indenture that is on a parity with or superior to the lien created by this Indenture, or deprive the Owners of the Bonds of the lien created by this Indenture upon such Revenues and other assets, or (4) authorize the sale or other disposition of the Certificates after their acquisition other than in compliance with Section 4.11 hereof without the consent of the Owners of all the Bonds then Outstanding. It shall not be necessary for the consent of the Owners of the Bonds to approve the particular form of any Supplemental Indenture; it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to this Subsection (A), the Trustee shall mail a notice to each Owner, setting forth in general terms the substance of such Supplemental Indenture. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of such Supplemental Indenture. The Issuer may fix a record date for purposes of determining Owners of Bonds who are entitled to consent to any Supplemental Indenture described in this paragraph. If a record date is fixed, then only those Owners who are Owners on that record date shall be entitled to consent to the Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, which Supplemental Indenture shall become effective upon execution by the Issuer and the Trustee (or such later date as may be specified in such Supplemental Indenture), without the consent of any Owners of the Bonds, but only to the extent permitted by the Act and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Issuer;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision contained in this Indenture, or in

regard to any matter or question arising under this Indenture, as the Issuer may deem necessary or desirable, which, in any such case, in the opinion of the Trustee, shall not materially adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend, or supplement this Indenture in such a manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(4) to modify, amend or supplement this Indenture in such a manner as in the opinion of Bond Counsel shall be necessary to preserve the excludability of interest on any Bond from federal gross income and which shall not materially adversely affect the interests of the Owner of any Bond; or

(5) to obtain or maintain a rating on the Bonds from a Rating Agency.

(C) In connection with the execution and delivery of a Supplemental Indenture, the Trustee shall receive an opinion of Bond Counsel to the effect that the Supplemental Indenture is authorized under the Act and by proper action of the Issuer, that the Supplemental Indenture is authorized or permitted by the Indenture, and the opinion of Bond Counsel that execution and delivery of the Supplemental Indenture will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes.

(D) The Trustee may, but shall not be obligated to, enter into a Supplemental Indenture which adversely affects the Trustee's own rights, duties, or immunities.

Section 8.2 Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Indenture of the Issuer, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. All Supplemental Indentures shall be filed with the Rating Agency.

Section 8.3 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Issuer and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Issuer or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Issuer and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Issuer and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Principal Office of the Trustee, without cost to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts of the same series.

Section 8.4 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX. DEFEASANCE

Section 9.1 Discharge of Indenture. If the Issuer shall pay and discharge the entire indebtedness on all Outstanding Bonds in any one or more of the following ways by:

(a) paying or causing to be paid the principal amount or redemption price of and interest on the Bonds Outstanding, as and when the same become due and payable;

(b) depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.3 hereof) to pay or redeem all Outstanding Bonds; or

(c) delivering to the Trustee, for cancellation by it, all of the Outstanding Bonds; and if the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including Trustee's fees and expenses and other Program Expenses), then and in that case, at the election of the Issuer (evidenced by a certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements, and other obligations of the Issuer under this Indenture shall cease, terminate, become void, and be completely discharged and satisfied. In such event, upon request of the Issuer, the Trustee shall (i) cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer, (ii) execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction of the Bonds; and (iii) transfer all related Certificates and amounts in any related Fund (except the Rebate Fund) to the Issuer.

Section 9.2 Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.3 hereof) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided for in Article III hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate, and be completely discharged, and the Owner thereof shall thereafter be entitled only to payment from such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 9.4 hereof.

The Issuer may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 9.3 Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the Funds established pursuant to this Indenture (exclusive of the Program Fund and the Rebate Fund to the extent of the Rebate Amount) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to

be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) noncallable Investment Securities described in clauses (ii) or (iii) of the definition thereof in Section 1.2 hereof and which are not redeemable in advance of their maturity at the option of the issuer thereof or any other Person (other than the holder thereof) the principal of and interest on which when due will provide money sufficient to pay the principal amount or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal amount or redemption price and interest become due; provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided further that in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by request of the Issuer) to apply such money to the payment of such principal amount or redemption price and interest with respect to such Bonds; provided further that any such advance deposit shall be accompanied by a report of an Independent Certified Public Accountant verifying the mathematical computations of the adequacy of the maturing principal and interest on the escrowed securities and uninvested cash in the escrow account to pay, when due, the principal of and interest on the Bonds.

Section 9.4 Payment of Bonds After Discharge of Indenture. Any moneys deposited with and set aside by the Trustee for the payment of Bonds shall be held by the Trustee uninvested, without liability for interest thereon, as a separate trust fund for the account of the respective holders of Bonds to be redeemed or otherwise paid. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal amount or redemption price of, or interest on, any Bonds and remaining unclaimed for three years after the principal amount or redemption price of all the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or three years after the date of deposit of such moneys if deposited after said date when all the Bonds became due and payable, shall be reported and disposed of by the Trustee in accordance with the applicable unclaimed property laws.

ARTICLE X. MISCELLANEOUS

Section 10.1 Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Issuer or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.2 Limitation of Rights to Parties and Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Issuer, the Trustee, and the Owners of the Bonds, any legal or equitable right, remedy, or claim under or in respect of this Indenture or any covenant, condition, or provision therein or herein contained; and all such covenants, conditions, and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, and the Owners of the Bonds.

Section 10.3 Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive

such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 10.4 Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality, or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 10.5 Notices. Any notice, request, complaint, demand, communication, or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram or facsimile, addressed to the appropriate Notice Address. The Issuer and the Trustee may, by notice given hereunder designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Section 10.6 Evidence of Rights of Owners. Any request, consent, or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent, or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and of every Bond issued upon transfer thereof, in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

Section 10.7 Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Issuer, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 10.8 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal amount or redemption price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and

pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto without liability for interest, subject, however, to the provisions of Section 9.4 hereof.

Section 10.9 Funds. Any Fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee as a Fund and may, for the purposes of such records, any audits thereof, and any reports or statements with respect thereto, be treated as such a Fund; but all such records with respect to all such Funds shall at all times be maintained in accordance with generally accepted industry practice, and with due regard for the requirements of Section 5.6 hereof and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 10.10 Personal Liability. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any member of the Board of Directors of the Issuer or the Trustee or any incorporator, officer, agent, employee, or representative of the Issuer or the Trustee in his individual capacity, and neither the directors, incorporators, officers, agents, employees or representatives of the Issuer or the Trustee nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability or accountability by reason of the issuance thereof, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

Section 10.11 Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 10.12 Payments Other Than on a Business Day. Any payments required to be made or any other action required to be taken pursuant to this Indenture which are otherwise required to be taken on a day which is not a Business Day, shall be made or taken on the next succeeding day which is a Business Day. With respect to any payment so made, no interest shall accrue for the period between such nominal date and the date of payment.

Section 10.13 Governing Law. This Indenture shall be construed under, and governed by, the laws of the State.

IN WITNESS WHEREOF, the Texas State Affordable Housing Corporation has caused this Indenture to be signed in its name by its duly authorized officer, and the Trustee in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its duly authorized officer, as of the day and year first above written.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

By: _____
President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

**EXHIBIT A
FORM OF BOND**

THE FOLLOWING TWO PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY ONLY:

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Indenture referred to herein, until the termination of the system of book-entry only transfers through DTC, and notwithstanding any other provision of the Indenture to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.

THE ORIGINAL PRINCIPAL AMOUNT OF THIS BOND IS SUBJECT TO REDUCTION AS DESCRIBED HEREIN. THE CURRENT PRINCIPAL AMOUNT OUTSTANDING AND UNPAID WILL BE REFLECTED IN THE RECORDS OF THE TRUSTEE AND MUST BE REVIEWED TO DETERMINE THE PRINCIPAL OUTSTANDING AS OF ANY PARTICULAR DATE.

THE UNITED STATES OF AMERICA
No.: _____ STATE OF TEXAS \$ _____

TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BOND
(TEXAS HEROES HOME LOAN PROGRAM)
SERIES 2019A (NON-AMT)

Registered Owner:

Principal Amount:

Maturity Date:	Dated Date:	Interest Rate:	CUSIP:
_____ 1, 20__	May 1, 2019	_____%	88271H _____

The Texas State Affordable Housing Corporation (the “Issuer”), a public nonprofit corporation organized under the laws of the State of Texas (the “State”), for value received, promises to pay (but only out of the revenues and other assets pledged therefor) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount specified above and to pay interest thereon at the Interest Rate specified above (on a per annum basis), solely from said revenues and assets, from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Issuance Date (as defined in the Indenture hereinafter referred to) or (ii) unless this Bond is

authenticated after the Record Date (as defined below) with respect to an Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned, at the applicable interest rate specified above, payable on March 1 and September 1, commencing with the March 1 or September 1 following the Issuance Date (each, an “Interest Payment Date”).

The principal of and interest on this Bond are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. The principal amount hereof and the interest hereon is payable by check of Wells Fargo Bank, National Association, the “Trustee”) mailed on the Interest Payment Date to the person in whose name this Bond is registered at the close of business on the twenty-fifth day of the month preceding an Interest Payment Date (the “Record Date”), whether or not such day is a Business Day (as defined in the Indenture) at such person’s address as it appears on the registration books of the Trustee; provided, however, that payment of such interest shall be made by wire transfer to the Registered Owner of any Bonds in an aggregate principal amount of at least \$1,000,000, at the risk and expense of such Registered Owner (except as provided in the Indenture), if such Registered Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purpose at least five Business Days before the applicable Record Date; and provided further that the final payment of principal will be made only on surrender hereof at the designated corporate trust office of the Trustee.

THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR ANY PREMIUM OR INTEREST ON THE BONDS OR OTHER OBLIGATIONS AND THAT THE FULL FAITH AND CREDIT AND THE TAXING POWER OF THE STATE OF TEXAS ARE NOT PLEDGED, GIVEN OR LOANED TO THE PAYMENT OF THE BONDS.

This Bond is one of a duly authorized issue of Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program) Series 2019A (the “Bonds”). The Bonds are issued in the original aggregate principal amount of \$40,000,000. The Bonds are issued under and equally and ratably secured by and entitled to the protection of a Trust Indenture dated as of May 1, 2019 (which Indenture, as from time to time amended and supplemented, is hereinafter referred to as the “Indenture”), duly executed and delivered by the Issuer to the Trustee, for the purpose of providing funds for the purchase of mortgage-backed certificates guaranteed by GNMA (the “GNMA Certificates”) representing undivided interests in mortgage loans (the “Mortgage Loans”) made to finance the purchase of qualified single family residences by eligible borrowers in the State of Texas. The Mortgage Loans are to be originated by certain mortgage lending institutions (the “Lenders”) pursuant to a Mortgage Origination Agreement between each Lender and the Issuer. Pursuant to the Indenture, the Issuer will assign and pledge the GNMA Certificates and the proceeds thereof to the Trustee to secure payment of the principal of and interest on the Bonds. Reference is hereby made to the Indenture for a description of the rights, duties, and obligations of the Issuer, the Trustee and the owners of the Bonds and the terms and conditions upon which the Bonds will be deemed to be paid, at or prior to the Maturity Date, upon the making of provision for the payment thereof in the manner set forth in the Indenture. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Indenture.

(1) (1) The Bonds are subject to mandatory redemption, in whole or in part, from unexpended moneys in the Program Fund, on the date or dates set forth in the Indenture, at the redemption prices set forth in the Indenture, plus accrued interest to the redemption date.

(2) The Bonds are subject to mandatory redemption, in whole or in part on the first day of each month, from moneys deposited in the Redemption Fund as described in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

(3) The Bonds are subject to optional redemption in whole or in part as described in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

(4) The Bonds of certain maturities are subject to mandatory sinking fund redemption as set forth in the Indenture.

In the event of a redemption in part, the Bonds to be redeemed will be selected in accordance with the procedures set forth in the Indenture. The Issuer has the option to purchase Bonds in lieu of redemption, as described in the Indenture.

Notice of redemption is required to be mailed not less than 20 days (5 days in the case of a redemption under clause (1)) and not more than 60 days prior to the redemption date, in each case to the owners of any Bonds, or portions thereof, designated for redemption at their addresses appearing on the registration books of the Trustee; provided that if Cede & Co. is the registered owner of this Bond, notice of redemption is required to be given to DTC by facsimile transmission (or by such other method required by DTC) not less than five Business Days prior to the redemption date. Neither the failure of an owner to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds; and neither the failure to mail such notice to a particular owner nor any defect in any notice so mailed shall affect the sufficiency of any of the proceedings for the redemption of any Bonds.

The registration of this Bond is transferable by the owner hereof or by his attorney duly authorized in writing at the Operations Office (as defined in the Indenture) of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture.

The Issuer and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Issuer and the Trustee shall not be required to register the transfer of or exchange any Bond during the period between the Record Date and the next Interest Payment Date or during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds selected or called for redemption in whole or in part after the call for redemption and prior to the redemption date.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the owners of the Bonds at any time by the Issuer with consent of the owners of a majority in aggregate principal amount of the

Bonds Outstanding. Any such consent or waiver by the owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any Bond issued upon registration of the transfer of or exchange of this Bond, whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting the Trustee to waive certain past defaults under the Indenture and their consequences.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated by the Trustee by the due execution of the Trustee's certificate endorsed hereon.

It is hereby certified, recited, and represented that the issuance of this Bond and the series of Bonds of which it is a part is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and the series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form, and manner as required by law; that all acts, conditions, and things necessary to be done or performed by the Issuer or to have happened precedent to or in the execution and delivery of the Indenture and the Agreements have been done and performed and have happened in regular and due form as required by law; and that due provision has been made for the payment of the principal of, premium, if any, and interest on this Bond and the series of Bonds of which it is a part by irrevocably pledging the revenues described herein as provided in the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

By: _____
President

Attest:

Secretary

[Form of Certificate of Authentication to appear on each
Bond other than the initial Bonds numbered T-1 and upwards]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue referred to in the Indenture described herein.

Date of Authentication:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

[Form of Comptroller's Registration Certificate to be attached
only to the initial Bonds numbered T-1 and upwards]

COMPTROLLER'S REGISTRATION CERTIFICATE

REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

Comptroller of Public Accounts of the
State of Texas

(COMPTROLLER'S SEAL)

[Form of Assignment]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto

Please Insert Social Security or
Other Identifying Number of Assignee
/ _____ /

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____ to transfer
said Bond on the books kept for registration thereof with full power of substitution in the premises.

Date: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the
face of the within Bond in every particular, without alteration or enlargement or any
change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a
Securities Transfer Association recognized signature guarantee program.

Official Statement

DRAFT NO. 1 01/21/19

DRAFT NO. 2 01/29/19

DRAFT NO. 3 02/06/19

#373833253v3

PRELIMINARY OFFICIAL STATEMENT RELATING TO:

\$40,000,000

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Single Family Mortgage Revenue Bonds

(Texas Heroes Home Loan Program)

Series 2019A (Non-AMT)

NEW ISSUE—BOOK ENTRY ONLY

Rating: Moody's "Aa1"
(See "Rating")

Under applicable law, subject to continuing compliance by the Issuer and others with certain covenants in the Agreements and the Indenture and related financing documents, and in reliance upon representations and conclusions in certificates, studies and reports of the Issuer and certain other participants in the financing, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax. See "Tax Matters."

\$40,000,000*

TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

Dated: May 1, 2019 (Interest Accrues from Delivery Date)

Due: See Inside Front Cover

The above-captioned bonds (the "Bonds") will be issued in book-entry, fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on and principal of the Bonds will be payable on each March 1 and September 1, commencing September 1, 2019, by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. See "The Bonds—Payment, Transfer and Exchange."

The Bonds will be issued and secured under the terms of a Trust Indenture dated as of May 1, 2019 (the "Indenture"), between the Texas State Affordable Housing Corporation (the "Issuer") and the Trustee. The Bonds will be issued to make funds available to finance qualifying mortgage loans for single family residences located in the State of Texas through the purchase by the Trustee on behalf of the Issuer of fully-modified mortgage-backed securities (the "Certificates"). The Certificates will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). See "Introduction" and "Security for the Bonds."

The Bonds are subject to redemption prior to maturity as described herein. It is expected that the Bonds of each maturity will be redeemed prior to the stated maturity date thereof. See "The Bonds—Redemption of Bonds" and "Structuring Assumptions and Risks."

The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.

The Bonds are offered, when, as and if issued, subject to the approval by the Issuer, and the approval of certain legal matters by the Attorney General of the State of Texas, and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Hilltop Securities Inc., Austin, Texas, will act as financial advisor to the Issuer in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Issuer and the Underwriter by Greenberg Traurig, LLP, Disclosure Counsel. The Underwriter will be represented by its counsel, Chapman and Cutler LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May __, 2019.

Raymond James & Associates, Inc.

April __, 2019

* Preliminary; subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualifications under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$40,000,000
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

\$5,485,000 Principal Amount of Serial Bonds (Price of Each Maturity: 100%)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP[†]</u>
September 1, 2020	\$270,000	%	88271H ____
March 1, 2021	280,000		88271H ____
September 1, 2021	285,000		88271H ____
March 1, 2022	295,000		88271H ____
September 1, 2022	300,000		88271H ____
March 1, 2023	310,000		88271H ____
September 1, 2023	320,000		88271H ____
March 1, 2024	325,000		88271H ____
September 1, 2024	200,000		88271H ____
March 1, 2025	205,000		88271H ____
September 1, 2025	215,000		88271H ____
March 1, 2026	220,000		88271H ____
September 1, 2026	225,000		88271H ____
March 1, 2027	230,000		88271H ____
September 1, 2027	235,000		88271H ____
March 1, 2028	245,000		88271H ____
September 1, 2028	250,000		88271H ____
March 1, 2029	260,000		88271H ____
September 1, 2029	265,000		88271H ____
March 1, 2030	270,000		88271H ____
September 1, 2030	280,000		88271H ____

\$34,515,000 Principal Amount of Term Bonds

\$2,880,000 ____% Term Bonds Due March 1, 2035 (Price: 100%) (CUSIP: 88271H ____[†])

\$4,130,000 ____% Premium Term Bonds Due March 1, 2040 (Price: ____%) (CUSIP: 88271H ____[†])

\$5,385,000 ____% Premium Term Bonds Due March 1, 2045 (Price: ____%) (CUSIP: 88271H ____[†])

\$8,120,000 ____% Premium Term Bonds Due March 1, 2050 (Price: ____%) (CUSIP: 88271H ____[†])

\$14,000,000 ____% Premium PAC Bonds Due March 1, 2049 (Price: ____%) (CUSIP: 88271H ____[†])

* Preliminary; subject to change

[†] Neither the Issuer nor the Underwriter takes responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the Bonds.

No broker, salesman or other person has been authorized by the Issuer 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 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 by the Issuer has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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\$40,000,000*
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

INTRODUCTION

This Official Statement (including the cover page and appendices) sets forth certain information relating to the sale and issuance by the Texas State Affordable Housing Corporation (the “Issuer”) of its \$40,000,000* aggregate principal amount of Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A (Non-AMT) (the “Bonds”). The Bonds will be issued pursuant to Subchapter Y of Chapter 2306 of the Texas Government Code, as amended (the “Act”), and one or more resolutions adopted by the Issuer. The Bonds will be issued and secured under a Trust Indenture dated as of May 1, 2019 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Certain provisions of the Indenture are summarized below in “Flow of Funds” and “The Indenture.” Capitalized terms used in this Official Statement and not otherwise defined are defined in “Appendix A—Definitions.”

The Bonds are subject to redemption prior to maturity as described herein. Purchasers of Bonds (and particularly the purchasers of the Premium PAC Bond and the Premium Term Bonds) should understand that the Bonds are subject to mandatory redemption at 100% of the principal amount thereof, plus accrued interest, under the circumstances described herein. See “The Bonds—Redemption of Bonds” and “Structuring Assumptions and Risks.”

Under the Act, the Issuer is permitted to issue the bonds to finance single family mortgage loans to certain borrowers (“Texas Heroes”) under the “Homes for Texas Heroes Home Loan Program,” as described in Section 2306.5621 of the Act. Texas Heroes include the following categories of Texas Heroes: (i) Allied Health Program Faculty Members, (ii) Corrections Officers, (iii) County Jailers, (iv) Emergency Medical Services Personnel, (v) Fire Fighters, (vi) Peace Officers, (vii) Professional Educators, (viii) Professional Nursing Program Faculty Members, (ix) Public Security Officers and (x) Veterans. See Appendix A for the definitions of these terms. To qualify for a mortgage loan, the borrowers must meet all the requirements of the Act, Section 143 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Issuer. See “The Program” for a detailed description of these requirements.

The Mortgage Loans will be originated under the Program by participating lenders (each a “Lender” and collectively the “Lenders”) pursuant to the terms of a Mortgage Origination Agreement between each Lender and the Issuer (each a “Lender Agreement, and collectively the “Lender Agreements”), the Program Guidelines and other Program Documents. The Mortgage Loans are required to meet all Program requirements, which include the requirement that each Mortgage Loan be (i) insured by the Federal Housing Administration (“FHA”), pursuant to the National Housing Act, as amended, (ii) guaranteed by the Department of Veterans Affairs (“VA”), pursuant to the Servicemen’s Readjustment Act of 1944, as amended, or (iii) guaranteed by the Rural Housing Service of the United States Department of Agriculture (“USDA-RHS”), pursuant to the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended. After origination, the Lenders will sell the Mortgage Loans on a servicing-released basis to the Servicer (as defined below).

* Preliminary; subject to change

The Lenders and the Issuer will review the Mortgage Loans and the borrowers, and other matters as necessary to determine compliance with the requirements of the Program, as more fully set forth in the Lender Agreements and the Program Guidelines. The Issuer will act as compliance agent for the Program.

The servicer under the Program is Lakeview Loan Servicing, LLC (the “Servicer”). Pursuant to the terms of a Servicing and Sale Agreement dated as of _____, 2019, between the Issuer and Servicer (the “Servicing Agreement”), the Servicer will purchase the Mortgage Loans from the Lenders, and pool the Mortgage Loans into pass-through certificates (the “GNMA Certificates”) backed by Mortgage Loans and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”), and issued by the Servicer. The Servicer will service all the Mortgage Loans. The Servicer is a GNMA-approved servicer of FHA-insured, VA-guaranteed and USDA-RHS-guaranteed mortgage loans, and an authorized issuer of GNMA Certificates.

Following issuance of the GNMA Certificates, the Servicer will sell the GNMA Certificates to the Trustee. The GNMA Certificates will be pledged under the Indenture to provide for the payment of the principal of and interest on the Bonds. See “Security for the Bonds.”

Brief descriptions of the Issuer, the Bonds, the GNMA mortgage-backed certificate program, the Program, together with summaries of certain provisions of the Indenture, and the Agreements, follow in this Official Statement. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements.

THE ISSUER

Texas State Affordable Housing Corporation was incorporated in May 1994 under the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon’s Annotated Texas Civil Statutes, as amended (now codified as V.T.C.A. Business Organizations Code, Chapter 22, as amended). The Issuer is a public non-profit corporation created by statute. The members of the Board of Directors are appointed by the Governor of the State, with the advice and consent of the State Senate. The Issuer is subject to significant state oversight, including audit by the State Auditor and debt issuance review and approval by the Texas Bond Review Board. The enabling legislation for the Issuer, as amended, may be found at Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Issuer is governed by a Board of Directors with five members. The current members of the Board of Directors are:

<u>Name</u>	<u>Position</u>
William H. Dietz	Chairperson
Jerry Romero	Vice Chairperson
Valerie Cardenas	Director
Lori Cobos	Director
Robert Elliott Jones	Director

David Long serves as President of the Issuer. Mr. Long has been employed by the Issuer since October 2001. Janie Taylor serves as Executive Vice President of the Issuer. Ms. Taylor has been employed by the Issuer since August 2006. Melinda Smith serves as Chief Financial Officer of the Issuer and has been employed by the Issuer since August of 2001. Cynthia Gonzales serves as Acting Corporate Secretary of the Issuer and has been employed by the Issuer since June 1997.

The Issuer is organized, operated and administered in accordance with the Issuer's enabling legislation. The Issuer has received a determination letter from the Internal Revenue Service recognizing the Issuer as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer's Articles of Incorporation provide, among other things, that the public purpose of the Issuer is to perform such activities and services that the Issuer's Board of Directors determines will promote the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, including single family mortgage revenue bond programs such as the program described herein. See "The Program."

The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.

Like virtually all Texas state agencies, the Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) and is subject to "sunset" (abolishment) on September 1, 2023. If sunset were to occur, the Texas Sunset Act provides for the continued payment of the Issuer's bonds in accordance with their terms and the designation of an appropriate State agency to carry out all covenants with respect to such bonds.

THE BONDS

General

The Bonds will be issued in fully registered, book-entry form in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2019* (each an "Interest Payment Date").

Interest on the Bonds will be calculated on a 30/360 basis and any interest due on an Interest Payment Date which is not a Business Day will be paid on the next succeeding Business Day (but interest will only accrue to the first calendar day of the month).

Book-Entry Only System

The Bonds will be issued in book-entry only form through The Depository Trust Company ("DTC"). Payments with respect to the Bonds will be made by the Trustee to DTC only. A description of certain provisions relating to the DTC book-entry system is set forth in Appendix B.

Payment, Transfer and Exchange

The following provisions apply only if the Bonds are converted from book-entry to certificated form.

Principal of the Bonds and interest on the Bonds will be payable by check of the Trustee mailed on the Interest Payment Date thereof to the person or persons in whose name the Bonds are registered on the registration books of the Trustee as of the Record Date with respect to each Interest Payment Date;

* Preliminary; subject to change

provided, however, that payment of such interest will be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000 at the risk and expense of the Owner, if such Owner has requested in writing payment by such method and has provided the Trustee with an account number and other necessary information for such purposes at least five Business Days before the applicable Record Date; and provided further that the final payment of principal will be made upon presentation of the Bond at the designated corporate trust office of the Trustee.

The transfer of any Bond is registerable on the bond register maintained by the Trustee upon the surrender of such Bond for cancellation and registration of transfer at the designated corporate trust office of the Trustee, accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Owner or by his attorney duly authorized in writing, provided, however, that the Trustee is not required to register the transfer of or exchange any Bond during the period between the Record Date and the next Interest Payment Date or during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds called for redemption after the call for redemption and prior to the redemption date.

Redemption of Bonds

Mandatory Redemption Due to Nonorigination. The Bonds are subject to mandatory redemption in whole or in part on _____ 1, 20__* from moneys in the Program Fund that have not been applied to the purchase of GNMA Certificates by _____, 20__*, at a redemption price equal to 100% of the principal amount thereof (or, in the case of the Premium PAC Bonds and the Premium Term Bonds, the initial offering price of such Bonds as shown on the inside cover page of this Official Statement), plus accrued interest to the redemption date; *provided that* the foregoing dates may be extended one or more times, at the option of the Issuer, if the conditions set forth in the Indenture are met.

Mandatory Redemption from Prepayments and Surplus Revenues. The Bonds are subject to mandatory redemption in whole or in part on the first day of each month, commencing June 1, 2019*, from amounts in the Redemption Fund (representing amounts equal to Prepayments from GNMA Certificates and surplus revenues), if amounts in the Redemption Fund exceed \$25,000*, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory sinking fund redemption from amounts deposited in the Principal Fund on the applicable dates, and in the applicable principal amounts, set forth below:

Bonds Maturing March 1, 2035*			
Redemption Date*	Principal Amount*	Redemption Date*	Principal Amount*
March 1, 2031	\$285,000	September 1, 2033	\$325,000
September 1, 2031	295,000	March 1, 2034	335,000
March 1, 2032	305,000	September 1, 2034	345,000
September 1, 2032	310,000	March 1, 2035†	360,000
March 1, 2033	320,000		

* Preliminary; subject to change

† Maturity Date

Bonds Maturing March 1, 2040*			
Redemption Date*	Principal Amount*	Redemption Date*	Principal Amount*
September 1, 2035	\$365,000	March 1, 2038	\$415,000
March 1, 2036	375,000	September 1, 2038	430,000
September 1, 2036	385,000	March 1, 2039	440,000
March 1, 2037	395,000	September 1, 2039	455,000
September 1, 2037	405,000	March 1, 2040 [†]	465,000

Bonds Maturing March 1, 2045*			
Redemption Date*	Principal Amount*	Redemption Date*	Principal Amount*
September 1, 2040	\$475,000	March 1, 2043	\$545,000
March 1, 2041	490,000	September 1, 2043	560,000
September 1, 2041	505,000	March 1, 2044	575,000
March 1, 2042	515,000	September 1, 2044	590,000
September 1, 2042	530,000	March 1, 2045 [†]	600,000

Bonds Maturing March 1, 2050*			
Redemption Date*	Principal Amount*	Redemption Date*	Principal Amount*
September 1, 2045	\$625,000	March 1, 2048	\$ 715,000
March 1, 2046	640,000	September 1, 2048	735,000
September 1, 2046	660,000	March 1, 2049	755,000
March 1, 2047	680,000	September 1, 2049	1,290,000
September 1, 2047	695,000	March 1, 2050 [†]	1,325,000

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* Preliminary; subject to change

Premium PAC Bonds (Maturing March 1, 2049*)			
Redemption Date*	Principal Amount*	Redemption Date*	Principal Amount*
September 1, 2024	\$135,000	March 1, 2037	\$265,000
March 1, 2025	140,000	September 1, 2037	270,000
September 1, 2025	140,000	March 1, 2038	280,000
March 1, 2026	145,000	September 1, 2038	285,000
September 1, 2026	150,000	March 1, 2039	295,000
March 1, 2027	155,000	September 1, 2039	300,000
September 1, 2027	160,000	March 1, 2040	310,000
March 1, 2028	160,000	September 1, 2040	320,000
September 1, 2028	165,000	March 1, 2041	325,000
March 1, 2029	170,000	September 1, 2041	335,000
September 1, 2029	175,000	March 1, 2042	345,000
March 1, 2030	180,000	September 1, 2042	355,000
September 1, 2030	185,000	March 1, 2043	365,000
March 1, 2031	190,000	September 1, 2043	375,000
September 1, 2031	195,000	March 1, 2044	385,000
March 1, 2032	200,000	September 1, 2044	395,000
September 1, 2032	205,000	March 1, 2045	415,000
March 1, 2033	210,000	September 1, 2045	415,000
September 1, 2033	220,000	March 1, 2046	430,000
March 1, 2034	225,000	September 1, 2046	440,000
September 1, 2034	230,000	March 1, 2047	450,000
March 1, 2035	235,000	September 1, 2047	465,000
September 1, 2035	240,000	March 1, 2048	475,000
March 1, 2036	250,000	September 1, 2048	490,000
September 1, 2036	255,000	March 1, 2049 [†]	500,000

If Term Bonds of a particular maturity are subject to redemption (other than by mandatory sinking fund redemption) or purchase in part, the sinking fund payments for such maturity shall be reduced on a pro rata basis.

Optional Redemption. The Bonds are subject to redemption, at the option of the Issuer, on or after March 1, 2029*, in whole or in part on any date, at a Redemption Price equal to 100%* of the principal amount of the Bonds to be so redeemed, together with accrued interest, if any, to the date of redemption from any source (provided that such moneys are not, as established by an opinion of nationally recognized bankruptcy counsel selected by the Issuer and acceptable to the Trustee, recoverable as preferences under the United States Bankruptcy Code).

The Issuer is permitted to direct the Trustee to sell the GNMA Certificates and redeem the Bonds, in whole or in part, but such redemption must be undertaken as an optional redemption of the Bonds as

* Preliminary; subject to change

† Maturity Date

described above, and the conditions of the Indenture must be met, including, if such redemption is in part, that the rating on the remaining outstanding Bonds be confirmed by the Rating Agency.

Selection of Bonds for Redemption

Selection Procedure for Mandatory Redemption Due to Nonorigination. If Bonds are subject to mandatory redemption due to nonorigination in part from unexpended moneys in the Program Fund, such moneys will be applied to redeem Bonds (including Premium PAC Bonds), on a pro rata basis.

Selection Procedure for Mandatory Redemption from Prepayments and Surplus Revenues. Amounts deposited in the Redemption Fund (representing Prepayments with respect to the GNMA Certificates and surplus revenues) shall be applied to redeem Bonds in the following order of priority:

FIRST, such amounts shall be applied to redeem the Premium PAC Bonds down to the 100% PSA Outstanding Bond Amount for Premium PAC Bonds;

SECOND, after applying the amounts as described in clause FIRST above, and until the outstanding principal amount of all Bonds has been reduced to the applicable 400% PSA Outstanding Bond Amount for All Bonds, any remaining amounts shall be applied (i) first, to redeem the Bonds maturing March 1, 2035*, until such Bonds are no longer outstanding, and (ii) second, to redeem all other Bonds, except the Premium PAC Bonds, on a pro rata basis; and

THIRD, after applying the amounts as described in clauses FIRST and SECOND above, any remaining amounts shall be applied to redeem all Bonds, including the Premium PAC Bonds, on a pro rata basis.

The applicable “100% PSA Outstanding Bond Amount for Premium PAC Bonds” is the amount set forth in the second column of Appendix D for the Interest Payment Date on which the redemption of Premium PAC Bonds could occur on an Interest Payment Date. The amounts in the column for each Interest Payment Date have been calculated based on the principal amount of Premium PAC Bonds projected to remain outstanding, after taking into account scheduled principal payments and projected redemptions (including monthly redemptions) of Premium PAC Bonds from Prepayments and surplus revenues. The projected Outstanding Bond Amounts are based on various assumptions, including (i) the assumptions stated under “Structuring Assumptions and Risks,” (ii) an expected purchase schedule for the GNMA Certificates, and (iii) Prepayments and surplus revenues resulting from a constant 100% PSA prepayment rate. See generally “Structuring Assumptions and Risks.”

The applicable “400% PSA Outstanding Bond Amount for All Bonds” is the amount set forth in the third column of Appendix D for the Interest Payment Date on which the redemption of the Bonds could occur on an Interest Payment Date. The amounts in the column for each such date have been calculated based on the principal amount of all Bonds (including Premium PAC Bonds) projected to be outstanding, after taking into account scheduled principal payments and projected redemptions (including monthly redemptions) of Bonds from Prepayments and surplus revenues. The projected Outstanding Bond Amounts are based on various assumptions, including (i) the assumptions stated under “Structuring Assumptions and Risks,” (ii) an expected purchase schedule for the GNMA Certificates, and (iii) Prepayments with respect to the GNMA Certificates and surplus revenues resulting from a constant 400% PSA prepayment rate. See generally “Structuring Assumptions and Risks.”

* Preliminary; subject to change

The Outstanding Bond Amounts in Appendix D are subject to reduction if Bonds are subject to mandatory purchase (as described above) from unexpended moneys in the Program Fund. In such case, the amounts in the table shall be reduced, on a pro rata basis, by the principal amount of Bonds so purchased. In addition, the Bonds are subject to redemption on a monthly basis from amounts in the Redemption Fund as described above (see “Redemption—Mandatory Redemption from Prepayments and Surplus Revenues”), and the Indenture sets forth the Outstanding Bond Amounts as of the first day of each month.

Selection Procedure for Optional Redemption. If Bonds are subject to optional redemption in part, the Bonds to be redeemed shall be selected on a pro rata basis.

Other Selection Provisions. Bonds (or portions thereof) shall be redeemed in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond. For purposes of determining Bonds or portions thereof to be redeemed within a single maturity, Bonds shall be selected by lot in a manner chosen by the Trustee.

If less than all of the Bonds within a maturity are being redeemed, DTC’s current practice is to determine by lot the amount of the interest of each DTC Lender (as hereinafter defined) in such maturity to be called for redemption and each DTC Lender is then to select by lot the ownership interests in such maturity to be redeemed. See “Appendix B—Book-Entry Only System” herein.

Notice of Redemption

Notice of redemption of the Bonds shall be sent not less than twenty (20) days prior to the redemption date, except in the case of a mandatory redemption due to nonorigination, such notice shall be sent by not less than five (5) days.

Failure to provide any required notice of redemption will not affect the validity of any proceeding for the redemption of any Bond.

Purchase of Bonds in Lieu of Redemption

If at any time Bonds are subject to redemption, in lieu of such redemption the Issuer may direct the Trustee to purchase Bonds which would otherwise be subject to redemption, at a purchase price equal to or less than the related redemption price. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased shall be canceled by the Trustee and the face amount of the Bonds so purchased shall be applied as a credit against the Issuer’s obligation to redeem such Bonds from such moneys.

Additional Bonds

No additional bonds may be issued under the Indenture.

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SOURCES AND USES OF FUNDS

Upon issuance of the Bonds, the proceeds of the Bonds, together with other money from the sources described below, will be applied as follows:

Sources

Bond Principal	\$
Bond Premium	
Issuer Funds	
TOTAL	\$

Uses

Program Fund	\$
Capitalized Interest Fund	
Cost of Issuance Fund ¹	
TOTAL	\$

¹ Amounts deposited in the Cost of Issuance Fund will be applied to pay costs of issuance, including, but not limited to, the fees and expenses of the Issuer, the Financial Advisor, the Underwriters, Bond Counsel and Disclosure Counsel, the rating agency fee, the verification fee, the Trustee’s initial fees and expenses, and other costs relating to the issuance of the Bonds.

SECURITY FOR THE BONDS

The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.

Under the Indenture, the Bonds are secured by an assignment and pledge of and security interest in (i) all right, title and interest of the Issuer in the GNMA Certificates, (ii) all right, title and interest of the Issuer in the Agreements, (iii) all other moneys and obligations (including the Investment Securities) held for the Bonds pursuant to the Indenture (excluding any Rebate Amount and moneys in the Program Expense Fund or the Cost of Issuance Fund).

The Servicer is obligated to pay the principal of and interest on the GNMA Certificates in an amount equal to (i) the scheduled principal and interest due on the underlying Mortgage Loans (less the related servicing and guaranty fees), whether or not the Servicer has received such principal and interest payments on the underlying Mortgage Loans, and (ii) prepayments on the underlying Mortgage Loans received by the Servicer. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates. See “GNMA Mortgage-Backed Certificate Program.”

Moneys in the Program Fund (pending purchase of GNMA Certificates) and the Capitalized Interest Fund will be invested in Investment Securities and all amounts so invested will be pledged as security for the Bonds.

GNMA MORTGAGE-BACKED CERTIFICATE PROGRAM

The summary of the GNMA Mortgage-Backed Certificate Program, GNMA Certificates and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the applicable GNMA guide or guides and to the GNMA Certificates and other documents for full and complete statements of their provisions.

GNMA has provided the information under this caption. None of the Issuer, the Trustee, the Owner, the Financial Advisor, Bond Counsel or Disclosure Counsel has independently verified such information, and none assumes responsibility for the accuracy of such information.

GNMA is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. GNMA is authorized by Section 306(g) of Title III of the National Housing Act, as amended (the “Housing Act”), to guarantee the timely payment of the principal of, and interest on, certificates which represent an undivided interest in a pool of mortgage loans insured by FHA under the Housing Act or Title V of the Housing Act of 1949, or guaranteed by VA under the Servicemen’s Readjustment Act of 1944, as amended, of Chapter 37 of Title 38, United States Code. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated October 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed certificates of the type to be delivered to the Trustee on behalf of the Issuer are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.” In order to meet its obligations under such guaranties, GNMA, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranties of the timely payment of the principal of or interest on all GNMA Certificates. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement GNMA’s guaranties. Under the terms of its guaranties, GNMA warrants that, in the event it is called upon at any time to make payment on its guaranties, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

To issue GNMA Certificates, the Servicer is required first to apply to and receive from GNMA a Commitment to Guarantee Mortgage-Backed Securities (“GNMA Commitment”). A GNMA Commitment authorizes the Servicer to issue GNMA Certificates up to a stated amount during a one-year period following the date thereof. The Servicer is obligated to pay the GNMA commitment fees. The Servicer is also obligated to pay the monthly GNMA guaranty fees.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount approved by GNMA. Each GNMA I Certificate will be a “mortgage loan pass-through” certificate which will require the Servicer to pass through to the paying and transfer agent therefor (the “GNMA Paying Agent”) by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, then the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA guaranty fee and the Servicer’s servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Servicer in the previous month. Each GNMA II Certificate will require the Servicer to pass through to the GNMA Paying Agent, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the

first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA guaranty fee and the Servicer's servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA, upon execution of the GNMA guaranty agreement, issuance of a GNMA Certificate by the Servicer, and subsequent sale of such GNMA Certificate to the Trustee, will have guaranteed to the Trustee as holder of such GNMA Certificate the timely payment of principal of and interest on such GNMA Certificate.

FLOW OF FUNDS

The Indenture creates the following trust funds and accounts to be held by the Trustee with respect to the Bonds: (i) the Program Fund; (ii) the Capitalized Interest Fund; (iii) the Revenue Fund; (iv) the Interest Fund; (v) the Principal Fund; (vi) the Redemption Fund; (vii) the Program Expense Fund; (viii) the Rebate Fund and (ix) the Cost of Issuance Fund.

Program Fund

See "Sources and Uses of Funds" for a description of the moneys to be initially deposited in the Program Fund. All moneys deposited in the Program Fund and the Capitalized Interest Fund (which are not used to purchase Certificates on the closing date of the Bonds) will be invested in Investment Securities. Interest earnings on moneys in the Program Fund and the Capitalized Interest Fund will be deposited in the Revenue Fund.

Moneys in the Program Fund are to be applied as follows:

(i) to purchase GNMA Certificates at the applicable Certificate Sale Price on each Certificate Purchase Date during the GNMA Certificate Purchase Period, and upon each purchase to transfer an amount equal to ____ %* of the principal balance of each GNMA Certificate so purchased to the Revenue Fund and any other amount to or from the Cost of Issuance Fund as set forth in the Indenture; and

(ii) to apply any remaining balance in the Program Fund to the redemption of Bonds on the Nonorigination Redemption Date (see "Redemption of Bonds—Mandatory Redemption Due to Nonorigination").

Moneys in the Program Fund will be used only to purchase GNMA Certificates meeting the requirements set forth in the Indenture and the Agreements.

Capitalized Interest Fund

Amounts in the Capitalized Interest Fund shall be used to pay interest on the Bonds and Program Expenses if moneys in the Revenue Fund are insufficient for such purposes. Amounts remaining in a Capitalized Interest Fund after the second month after the Nonorigination Redemption Date (or, if earlier, the date on which all moneys in the Program Fund have been fully expended), and provided that such

* Preliminary; subject to change

moneys are not required to be transferred to the Rebate Fund, shall be released from the lien of the Indenture and transferred to the Issuer.

Cost of Issuance Fund

Amounts deposited in the Cost of Issuance Fund will be used to pay for the costs of issuing the Bonds and for any other purpose set forth in the Indenture; any balance remaining in the Cost of Issuance Fund will be paid to the Issuer in accordance with the provisions of the Indenture. *Amounts deposited in the Cost of Issuance Fund will not be pledged as security for the Bonds.*

Revenue Fund

All Revenues are required to be deposited in the Revenue Fund (except as described in the Indenture with respect to a portion of certain of the first payment of interest with respect to each GNMA Certificate which shall be remitted to the Servicer) as and when received by the Trustee. Interest earnings on all Funds established for the Bonds (except the Cost of Issuance Fund and the Rebate Fund, each of which will retain its earnings) will be deposited in the Revenue Fund.

On or before the first Business Day of a month, the Trustee shall transfer, from amounts deposited in the Revenue Fund during the prior month, the following amount to the following Funds, in the following order of priority:

(a) to the Interest Fund, the amount necessary, together with any moneys then on deposit in such Fund, to pay the interest due and payable on the Bonds on the next Interest Payment Date for the Bonds;

(b) to the Principal Fund, the amount necessary, together with any moneys then on deposit in such Fund, to pay the principal due and payable on the Bonds (by maturity or by sinking fund redemption) on the next Interest Payment Date for the Bonds;

(c) to the Rebate Fund, any related Rebate Amount specified by the Rebate Analyst;

(d) to the Program Expense Fund, the amount necessary, together with any moneys on deposit in such Fund, to pay the Program Expenses due and payable on the next Interest Payment Date for the Bonds; and

(e) any balance shall be transferred to the Redemption Fund; provided that a minimum balance of \$5,000 shall be retained in the Revenue Fund.

Notwithstanding the foregoing, upon the optional redemption of the Bonds, amounts for such redemptions shall be deposited in special accounts of the Revenue Fund and applied to the redemption of Bonds on the applicable redemption date.

Interest Fund

Amounts in the Interest Fund are required to be used to pay the interest due and payable on the Bonds.

If at any time the amount in the Interest Fund is insufficient to pay interest on the Bonds when due, the Trustee is required to transfer to the Interest Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority (after any permitted withdrawals from the Capitalized Interest Fund): (i) the Revenue Fund, (ii) the Redemption Fund (but not for amounts for which notice of redemption has been given), and (iii) the Principal Fund.

Principal Fund

The Trustee is required to apply amounts on deposit in the Principal Fund to pay principal of the Bonds as the same shall become due and payable (including payment due by mandatory sinking fund redemption).

In the event that the amount in the Principal Fund is insufficient to pay the principal of the Bonds when due, the Trustee shall transfer to the Principal Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority (after any permitted withdrawals from the Capitalized Interest Fund): (i) the Revenue Fund and (ii) the Redemption Fund (but not for amounts for which notice of redemption has been given).

Redemption Fund

Amounts in the Redemption Fund are required to be applied to the redemption of Bonds as described under “The Bonds—Redemption of Bonds—Mandatory Redemption from Prepayments and Surplus Revenues.”

Program Expense Fund

Amounts in the Program Expense Fund are required to be used and withdrawn by the Trustee for the purpose of paying Program Expenses relating to the Bonds. *Amounts deposited in the Program Expense Fund will not be pledged as security for the Bonds.*

Rebate Fund

The Trustee is required to deposit to the Rebate Fund no later than the 5th anniversary of the date of delivery of the Bonds (and every 5 years thereafter) and upon retirement of the last Bond an amount equal to the Rebate Amount. No later than 60 days after the 5th anniversary of the delivery date of the Bonds (and every 5 years thereafter) there is required to be paid to the United States an amount that ensures that 90% of the Rebate Amount will have been paid to the United States. Not later than 60 days after retirement of the Bonds any unpaid Rebate Amount shall be paid to the United States. *Any Rebate Amount will not be pledged as security for the Bonds.*

STRUCTURING ASSUMPTIONS AND RISKS

General

The Premium PAC Bonds and the Premium Term Bonds will be sold at a price in excess of their principal amount. Each Bond purchaser (including secondary market purchasers) should consider that the Bonds of each maturity are subject to redemption (or purchase in lieu of redemption) at par from various sources, including mandatory sinking fund payments, amounts in the Redemption Fund (which represent Prepayments and surplus revenues), and from optional redemptions described herein. See “The Bonds—Redemption of Bonds.”

The ability of the Issuer to pay principal of and interest on the Bonds depends upon the receipt of sufficient and timely payments of principal of and interest on the GNMA Certificates and the investment of moneys held under the Indenture in Investment Securities. Timely payment of principal and interest on the Bonds is anticipated to occur based on numerous assumptions, including, but not limited to, the following assumptions:

1. Timely payment of interest and principal of Investment Securities purchased with moneys in the Program Fund, the Capitalized Interest Fund, the Revenue Funds and the Redemption Fund.

2. GNMA Certificates with an aggregate principal balance equal to \$40,000,000*, and bearing interest at the Pass-Through Rate of ___%* per annum will be acquired by the Trustee during the GNMA Certificate Purchase Period from moneys in the Program Fund. The Mortgage Loans will have terms of 30 years and bear interest at the rate of ___%* per annum. The Mortgage Loan rate and the Pass-Through Rate are subject to increase or decrease if the conditions set forth in the Indenture are met.

3. Payments on the GNMA Certificates will be made on a timely basis.

4. The Trustee will redeem Bonds on a timely basis in accordance with the provisions of the Indenture.

5. The Program Expenses will be paid at the time required, and not in excess of the maximum amounts permitted, under the Indenture.

6. Moneys in the Cost of Issuance Fund and any Rebate Amount will not be available to pay the Bonds or the Program Expenses.

The assumptions set forth above are only assumptions, are not complete, and subsequent events may not correspond to such assumptions.

Risks of Nonorigination

There are numerous reasons why Mortgage Loans may not be originated. One significant risk is the availability of other loan programs, including programs offered by other housing finance agencies, corporation, authorities or other profit or nonprofit entities in the State of Texas, that have loan terms which are more attractive than those offered by the Program, such as lower mortgage rates or greater down payment assistance. Another significant risk is that prevailing mortgage interest rates could decline sufficiently to make the terms of the Mortgage Loans unattractive to potential homebuyers. If interest rates decline and the Program is rendered less attractive, the Issuer may determine to issue a new series of bonds that would offer more attractive Mortgage Loan terms. No assurance can be given that the interest rate and payment assistance offered by the Program on the Mortgage Loans will be competitive, or will remain competitive, with other mortgage loans available to eligible mortgagors, including other programs offered by the Issuer.

It is also possible that administrative problems relating to the Program could occur, such as the failure of Lenders to timely submit loan files or sell Mortgage Loans to the Servicer, defective loan files, or the failure of the Servicer to timely purchase Mortgage Loans from Lenders. In addition, the Servicer could fail to pool the Mortgage Loans on a timely basis, fail to convert such pools into GNMA Certificates, or fail to sell the GNMA Certificates to the Trustee on a timely basis.

Further, GNMA could take actions relating to their guaranty or change existing procedure that would result in an inability to timely deliver Certificates to the Trustee. Under the Program, the Servicer is required to pool Mortgage Loans into GNMA Certificates only, and therefore any changes in the

* Preliminary; subject to change

GNMA Certificate program could adversely affect origination of the Mortgage Loans and the delivery of GNMA Certificates for purchase by the Trustee. See “The Program—General.”

If for any reason described in the preceding three paragraphs, or for any other reason, moneys in the Program Fund are not be applied to the purchase of GNMA Certificates, unexpended moneys in such Fund will be applied to the mandatory redemption of Bonds on the Nonorigination Redemption Date. See “Redemption of Bonds—Mandatory Redemption Due to Nonorigination.”

Mortgage Loans may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance with the Program. There is no completely reliable statistical base with which to predict the level of prepayment in full or other early termination of the Mortgage Loans and the resulting effect on the average life of the Bonds. See “Average Life of Bonds” below.

The dollar amount of commitments to guarantee securities that GNMA can approve and the dollar amount that FHA, VA and USDA-RHS can insure or guarantee in any federal fiscal year are limited by statute and administrative procedures. If an appropriation act is not passed in any federal fiscal year or if GNMA, FHA, VA or USDA-RHS reaches the limit of its authority, or if the FHA maximum loan limit is reduced, or if GNMA, in its sole discretion, or the federal government, alters or amends the GNMA I or II mortgage-backed securities program in such a way as to prevent the Lenders from originating Mortgage Loans, the Lenders might not be able to originate Mortgage Loans and the Servicer may not be able to issue and deliver GNMA Certificates in the anticipated principal amount. In addition, the Servicer may become unqualified to issue GNMA Certificates and a successor Servicer may have to be appointed. The failure to originate Mortgage Loans, or the inability of the Servicer or any other person to issue GNMA Certificates, or the failure to deliver GNMA Certificates to the Trustee in the anticipated amount, would result in the mandatory redemption of Bonds. See “The Bonds—Redemption of Bonds—Mandatory Redemption Due to Nonorigination.”

Risks of Remedies and Loss of Tax-Exemption on Bonds

The remedies available upon an event of default under the Indenture, the Servicing Agreement, the Lender Agreements, the Continuing Disclosure Agreement or other documents or agreements relating to the Bonds or the Program, or if a default occurs with respect to any Investment Security, are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the applicable documents may not be readily available or may be limited.

The various legal opinions to be delivered with respect to the Bonds and the Program will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Under certain circumstances, interest on the Bonds may be subject to federal income tax action, including on a retroactive basis. See “Tax Matters.”

Average Life of Bonds

The maturities of the Bonds have been fixed based in part on the assumption that there will be no principal prepayments of the GNMA Certificates; however, it is anticipated that significant prepayments of the Mortgage Loans backing the related GNMA Certificates will in fact occur so that the Bonds will be paid in advance of their stated maturity dates. “Weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security

will be repaid to the investor. The weighted average life of each maturity of the Bonds will be influenced by the rate of principal payment of the Mortgage Loans underlying the GNMA Certificates. Principal payments may be in the form of scheduled principal payments or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other disposition of the Mortgage Loans, including payments on the FHA insurance, the USDA-RHS guaranty or the VA guaranty. Prepayments on loans such as the Mortgage Loans (GNMA Certificates) are commonly measured by a prepayment standard or months. The model used in the following discussion is The Bond Market Association (formerly the Public Security Association), prepayment standard or model (the “PSA Prepayment Model”). The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the mortgage loans. 100% of the PSA Prepayment Model assumes a prepayment rate of .2% per annum of the unpaid principal balance of the mortgage loans for the first month of the life of the related Mortgage Loans, increasing by .2% each month for the next 29 months of the life of the related mortgage loans, and then assumes a constant prepayment rate of 6% per annum of the unpaid principal balance for the remaining life of the related mortgage loans.

As used in the following table, “0% PSA” assumes no prepayments on the principal of the GNMA Certificates. “25% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .25 times as fast as the prepayment rates for the 100% PSA Prepayment Model. “50% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .75 times as fast as the prepayment rates for 100% the PSA Prepayment Model. “100% PSA” assumes the principal of the GNMA Certificates will prepay at a rate equal to the prepayment rate for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 1.5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 2 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 3 times as fast as the prepayment rates for the 100% of PSA Prepayment Model. “350% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 3.5 times as fast as the prepayment rates for the 100% of PSA Prepayment Model. “400% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 4 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model.

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The figures in the table set forth below were computed using the assumptions previously listed and various additional assumptions, including an assumption that GNMA Certificates are purchased by the Trustee in accordance with an expected draw schedule with a weighted average midpoint purchase date of approximately _____, 2019, and that the Bonds are not optionally redeemed. There can be no assurance that such assumptions will in fact prove accurate.*

Table of Projected Weighted Average Lives for Term Bonds (in Years) *					
Prepayment Assumption	Bonds Due March 1, 2035	Bonds Due March 1, 2040	Bonds Due March 1, 2045	Bonds Due March 1, 2050	Premium PAC Bonds (Due March 1, 2049)
0% PSA					
25% PSA					
50% PSA					
75% PSA					
100% PSA					
150% PSA					
200% PSA					
300% PSA					
350% PSA					
400% PSA					
500% PSA					

There is no assurance that prepayment of the Certificate principal will conform to any level of the PSA Prepayment Model. The rate of principal payments on pools of single family mortgage loans (such as the Mortgage Loans backing the GNMA Certificates) is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans. In general, if prevailing interest rates fall significantly, mortgage loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such mortgage loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of mortgage loans include changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgaged properties. In addition, as homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loans prepaid, although under certain circumstances the mortgage loans may be assumed by a new buyer. Mortgage Loans may also be terminated prior to final maturity as a result of condemnation, casualty loss or noncompliance with the Program. There is no reliable statistical base with which to predict the level of prepayment in full or other early termination of the Mortgage Loans and the resulting effect on the average life of the Bonds. Because of the foregoing and since the rate of prepayment of principal of each Bond will depend on the rate of repayment (including prepayments) of the GNMA Certificates (which are backed by the Mortgage Loans), the actual maturity of any Bond cannot be predicted, but is likely to occur earlier than its stated maturity.

* Preliminary; subject to change

THE PROGRAM

General

The Issuer has established the Program pursuant to the Act as a means of financing the cost of single family residential housing which will provide affordable housing for Eligible Borrowers within the Eligible Loan Area. Reservations for Mortgage Loans under the Program commenced on April __, 2019.

The Lenders have agreed to originate and sell Mortgage Loans to the Servicer according to the terms and conditions set forth in the Lender Agreements. See “The Lender Agreements.” The Servicer will service all the Mortgage Loans in accordance with the terms of the Servicing Agreement. See “Servicing” below and “The Servicing Agreement.” The Servicer will pool the FHA-guaranteed, VA-guaranteed and USDA-RHS-guaranteed Mortgage Loans and will issue GNMA Certificates the payments of principal and interest of which are guaranteed by GNMA. See “GNMA Mortgage-Backed Certificate Program.”

The Lenders will originate the Mortgage Loans on a first-come, first-served basis in accordance with the terms of a Notice of Availability of Funds issued by the Issuer at the beginning of the Mortgage Loan reservation period. The Issuer may issue additional Notices of Availability of Funds during the reservation period.

The Lenders may only originate Mortgage Loans to Eligible Borrowers who are “Allied Health Program Faculty Members,” “Corrections Officers,” “County Jailers,” “Emergency Medical Services Personnel,” “Fire Fighters,” “Peace Officers,” “Professional Educators,” “Professional Nursing Program Faculty Members,” “Public Security Officers,” or “Veterans.” These terms are defined in Appendix A.

The Issuer has covenanted to make funds available (from Bond proceeds or other available funds) to reserve Mortgage Loans made in Targeted Areas in the total principal amount of \$8,000,000* through the one-year anniversary date of the first day of the Mortgage Loan reservation period.

Origination and Purchase of Mortgage Loans

Each Lender will be required to use its best efforts to originate Mortgage Loans in accordance with the requirements of the Lender Agreement, the Program Guidelines and other applicable Program Documents, including the applicable loan origination, eligibility, credit underwriting and appraisal standards of FHA, VA or USDA-RHS for mortgage loans which are FHA-insured, VA-guaranteed or USDA-RHS guaranteed, respectively. Each Lender is required to deliver all documents specified in the Lender Agreement, the Program Guidelines and other applicable Program Documents that are required for the review and approval of the Mortgage Loans, to the Servicer and the Issuer (as compliance agent) prior to the date the Mortgage Loans are to be purchased by the Servicer.

Down Payment Assistance

The Issuer will make funds available to provide Down Payment Assistance equal to the percentage amount of Mortgage Loan principal set forth in the related Notice of Availability of Funds. Such amount may be used only to pay all or a portion of the down payment and closing costs associated with the related Mortgage Loan or for reductions in principal of such Mortgage Loan.

* Preliminary; subject to change

Mortgage Loan Terms

Each Mortgage Loan will have a term of 30 years, will provide for substantially level monthly payments of principal and interest to be made on the first day of each month and will be in such principal amounts as conform to the eligibility and credit underwriting standards in the Agreements and the limitations of the FHA, VA or USDA-RHS, as applicable, as of the closing date on the Mortgage Loan. Mortgage Loans purchased by the Servicer also must be current in payments of principal and interest, and must be in compliance with the requirements of the GNMA guidelines.

The Mortgage Loan interest rate will be initially established at ____% per annum. The Mortgage Loan rate may be increased or decreased from the initial rate if the conditions of the Indenture and the Agreements are met. Any change in the Mortgage Loan interest rate may result in a corresponding increase or decrease, as applicable, in the Issuer's Fee.

Moneys in the Program Fund will be used to purchase GNMA Certificates backed by Mortgage Loans evidenced by promissory notes secured by deeds of trust on Residences within the Eligible Loan Area. Each Mortgage Loan originated by a Lender must meet the origination standards set forth in the Agreements, including the applicable federal tax requirements.

The acquisition cost of a Residence may not exceed 90% or, in the case of a Residence in a Targeted Area, 110%, of the applicable area purchase price for single family residences in the area in which the Residence is located (the "Maximum Purchase Price"). The initial Maximum Purchase Price limits are based on the safe harbor guidelines set forth in the applicable Internal Revenue Service Revenue Procedure.

In addition, Mortgage Loans will be made only to Eligible Borrowers whose Family Income does not exceed the applicable Maximum Family Income. The Maximum Family Income limits are subject to adjustment from time to time.

In order to qualify for purchase by the Servicer under the Program, each Mortgage Loan must have FHA insurance or be VA-guaranteed or USDA-RHS-guaranteed, and the principal amount of such Mortgage Loan cannot be in excess of the applicable limits imposed by FHA or VA or USDA-RHS, as applicable.

Upon submission of each Mortgage Loan for purchase by the Servicer, the Lender will make certain warranties as to each Mortgage Loan. Further, with respect to each Mortgage Loan, the Eligible Borrower, the Seller and the related Lender are required to submit affidavits regarding compliance with the mortgage eligibility requirements of the Code and the Program. The Lender Agreement and the Program Guidelines prescribe various procedures to be followed by the Lender and the Issuer (as compliance agent) in reviewing and verifying the affidavits and information provided by the Eligible Borrower and the Seller.

Servicing

The Servicer will service all Mortgage Loans originated by Lenders and purchased by the Servicer. The Servicer is a GNMA-approved servicer of FHA-insured, VA-guaranteed and USDA-RHS guaranteed mortgage loans. The Servicer will pool the Mortgage Loans into GNMA Certificates and sell them to the Corporation or the Trustee. The Servicing Agreement governs the servicing responsibilities (and other responsibilities) of the Servicer under the Program. The Servicer is required to service the Mortgage Loans in conformity with the applicable GNMA guidelines for servicing. See "The Servicing Agreement."

In addition to its obligations as described under the caption “GNMA Mortgage-Backed Certificate Program,” the Servicer is required to account for and manage escrows of sums paid by the Mortgagors for payment of taxes, assessments, mortgage and hazard insurance premiums, guaranty premiums and other expenses. Escrows established by Lenders originating Mortgage Loans will be transferred to the Servicer upon purchase of the Mortgage Loans. As compensation for its servicing duties, the Servicer is entitled to retain a monthly fee equal to one-twelfth of .__% of the outstanding principal amount of each Mortgage Loan serviced which backs a GNMA Certificate. Under the Program as it relates to the Bonds, the Servicer will pool the Mortgage Loans exclusively into GNMA Certificates. The Servicer also is entitled to retain assumption fees and late charges.

Under the GNMA Certificates, the Servicer is obligated to make monthly advances, regardless of whether principal and interest payments on the Mortgage Loans or any insurance or guaranty proceeds are actually received by the Servicer, which, with respect to any calendar month, are the aggregate amounts of payments of principal and interest on the Mortgage Loans which were due and payable on or before the first day of such month and which were delinquent as of the close of business on the business day next preceding the remittance date of such month.

The Servicer may be reimbursed for such advance payments made on a Mortgage Loan either from insurance proceeds, guaranty proceeds, liquidation proceeds or collections from Mortgagors. If such reimbursements are not made from such sources, neither the Issuer nor the Trustee is obligated to make such reimbursements. If the Servicer fails to make the payments under the GNMA Certificates, GNMA is obligated to make such payments.

The Servicer must maintain in effect at all times and at its expense a blanket fidelity bond and an errors and omissions insurance policy covering all officers, employees and other persons acting on behalf of the Servicer.

Assumption of Mortgage Loans and transfers of Residences are permitted subject to the conditions described in the Agreements. See “The Servicing Agreement.” Prepayments of the Mortgage Loans in whole or in part are permitted under the Program without penalty; any such prepayments will be passed through under the GNMA Certificates. The Bonds are subject to mandatory redemption to the extent the Trustee receives amounts under the GNMA Certificates representing Prepayments. See “The Bonds—Redemption of Bonds.”

Servicer Information

The following information relates to and was supplied by Lakeview Loan Servicing, LLC (“Lakeview”). Such information has not been verified by the Issuer, the Underwriter, the Financial Advisor, Bond Counsel or Disclosure Counsel, and is not guaranteed as to completeness or accuracy.

As of _____, 2018, Lakeview provided servicing for _____ single family mortgage loans with a total principal balance of approximately \$ _____.

Lakeview is (i) an FHA-, USDA-RHS- and VA-approved lender in good standing, and (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA.

Lakeview has not participated in the preparation of this Official Statement, except to the extent of providing the information contained under this caption. Lakeview has no responsibility for the accuracy or completeness of any other part of this Official Statement or for the payment or creditworthiness of the Bonds.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture. For a description of certain other provisions of the Indenture relating to the Bonds, see “The Bonds,” “Security for the Bonds” and “Flow of Funds.”

Investment of Funds

All amounts held under the Indenture are required to be continuously invested in permitted Investment Securities, and such Investment Securities shall pay interest and mature not later than the dates on which such moneys will be required by the Trustee. For the purpose of determining the amount in any such Fund, all Investment Securities credited to such Fund are required to be valued in the manner described in the Indenture.

Certain Tax Covenants

The Issuer covenants in the Indenture that it will not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and will not use or permit the use of any amounts received by the Issuer or the Trustee with respect to the related GNMA Certificates and underlying Mortgage Loans in any manner, and will not take or permit to be taken, to the best of the Issuer’s knowledge, any other action or actions, which would cause any Bond to be an “arbitrage bond” under Section 148 of the Code or violate the requirements of Section 143(g) of the Code. The Issuer further covenants under the Indenture that it will not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, or in any manner, and will not take or permit to be taken any other action or actions, which would result in any Bond being treated as an obligation not described in Section 103(a) of the Code. See “Tax Matters.”

Defaults and Remedies; Rights of Bondholders

Each of the following events is an “event of default” under the Indenture:

(A) default in the due and punctual payment of the principal amount or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption or purchase or by declaration of acceleration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) default by the Issuer in the observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds (other than in clauses (A) or (B) above), if such default has continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding; or

(D) certain acts of bankruptcy or insolvency on the part of the Issuer as described in the Indenture.

If an event of default under clause (A) or (B) above occurs and is continuing, the Trustee may, and upon written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding will, upon notice in writing to the Issuer, declare the principal of and

interest on all the Bonds then outstanding due and payable immediately. If an Event of Default under clause (C) or (D) occurs, the Trustee, upon written direction of the Owners of 100% in aggregate principal amount of the Bonds then outstanding will, upon notice in writing to the Issuer, declare the principal of and interest on all the Bonds then outstanding due and payable immediately.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Issuer deposits, or causes to be deposited, with the Trustee a sum sufficient to pay the principal amount, redemption price or purchase price of and installments of interest on the Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and the other conditions of the Indenture are met, then the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences and waive such default, but no such rescission and annulment will extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

If an event of default under the Indenture occurs and is continuing, all Revenues and any other amounts then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding amounts held in the Program Expense Fund, the Cost of Issuance Fund and any Rebate Amount held in any Fund) are required to be applied by the Trustee in order of priority set forth in the Indenture.

If an event of default under the Indenture shall occur and be continuing, then the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction, is required to, proceed by suit or suits, at law or in equity, or by any other appropriate legal or equitable remedy, to enforce the payment of principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee determines to be most effective to protect and enforce any of its rights or the rights of the Owners under the Indenture.

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that the Trustee has been indemnified to its satisfaction and such direction will not be otherwise than in accordance with the law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of counsel rendered to the Trustee would be unjustly prejudicial to Owners not parties to such direction.

No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (A) such Owner has given to the Trustee written notice of the occurrence of an event of default under the Indenture; (B) the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action or proceeding in its own name; (C) such Owner or said Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee. No one or more Owners of Bonds has any right to affect, disturb or prejudice the security of the Indenture or the rights of any other

Owners of Bonds, or to enforce any right under the Indenture, the Act, or other applicable law with respect to the Bonds, except in the manner therein provided and all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the outstanding Bonds, subject to the provisions of the Indenture.

Supplemental Indentures

The Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may be modified or amended at any time by a supplemental indenture which will become effective when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding has been filed with the Trustee. No such modification or amendment will (1) extend the stated maturity of any Bond, or reduce the amount or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereof without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of which the Owners of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues or any other assets pledged under the Indenture that is on a parity with or superior to the lien created by the Indenture, or deprive the Owners of the lien created by the Indenture upon the Revenues and other assets, or (4) authorize the sale or other disposition of the GNMA Certificates after their acquisition, except as otherwise permitted under the Indenture, without the consent of the Owners of all of the Bonds then outstanding.

The Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may also be modified or amended at any time by a supplemental indenture, which will become effective upon execution by the Issuer and the Trustee (or such later date as may be specified in such supplemental indenture), without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer under the Indenture;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to any matter or question arising under the Indenture, as the Issuer may deem necessary or desirable, which, in any such case in the opinion of the Trustee, will not materially adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds;

(4) to modify, amend or supplement the Indenture in such manner as in the opinion of Bond Counsel is necessary to preserve the excludability of interest on any Bond from federal gross income and which will not materially adversely affect the interests of the Owner of any Bonds; or

(5) to obtain or maintain a rating from a Rating Agency.

In connection with the execution and delivery of a supplemental indenture, the Trustee is required to receive an opinion of Bond Counsel to the effect that the supplemental indenture is authorized under the Act and by proper action of the Issuer, that the supplemental indenture is authorized or permitted by

the Indenture and by proper action of the Issuer and that execution and delivery of the supplemental indenture will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

The Trustee

The Issuer may remove the Trustee at any time with or without cause unless an event of default under the Indenture has occurred and is continuing. The Issuer is required to remove the Trustee if at any time requested to do so in writing by the registered owners of not less than a majority in aggregate principal amount of all the bonds then outstanding under the Indenture or if at any time the Trustee ceases to be eligible in accordance with the Indenture, or if the Trustee becomes incapable of acting, or commits certain acts of bankruptcy or insolvency, in each case by giving written notice of such removal to the Trustee and the Issuer is required to appoint a successor Trustee, provided that any such successor trustee must be acceptable to the Rating Agency.

The Trustee may at any time resign by giving written notice of such resignation to the Issuer and by giving the Owners written notice of such resignation sent by first-class mail, but such resignation will not be effective until the successor Trustee has been appointed and has accepted such appointment as provided in the Indenture and has been approved. Upon receiving such notice of resignation, the Issuer is required to promptly appoint a successor Trustee, provided that any such successor Trustee must be acceptable to the Rating Agency.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Promptly upon such acceptance, the Issuer will give written notice thereof to the Owners in writing. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any bond owner (on behalf of himself and all other bond owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Defeasance

If the Issuer pays and discharges the entire indebtedness on all Bonds outstanding in any one or more of the following ways by:

- (i) paying or causing to be paid the principal amount or redemption price of and interest on Bonds outstanding, as and when the same become due and payable;
- (ii) depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem all Bonds outstanding; or
- (iii) delivering to the Trustee, for cancellation by it, all of the Bonds outstanding;

and if the Issuer also pays or causes to be paid all other sums payable under the Indenture by the Issuer (including Trustee's fees and expenses and other Program Expenses), then and in that case, at the election of the Issuer, and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture will cease, terminate, become void and be completely discharged and satisfied.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Issuer in respect of such Bond will cease, terminate and be completely discharged, and the Owner thereof will thereafter be entitled only to payment from such money or securities deposited with the Trustee for their payment, subject, however, to the provisions of the Indenture.

THE LENDER AGREEMENTS

The following is a summary of certain provisions of the Lender Agreements; the summary is qualified in its entirety by references to the Lender Agreements.

Lender Qualifications

Lenders must qualify to be participating Lenders under the Program and must be approved by the Issuer and the Servicer. Each Lender must execute a Lender Agreement with the Issuer. Each Lender must also execute a Loan Correspondent Purchase and Sale Agreement with the Servicer.

Each Lender originating FHA Mortgage Loans, USDA-RHS Mortgage Loans or VA Mortgage Loans is required to be an FHA-approved, USDA-RHS-approved or VA-approved mortgagee, respectively.

Covenants Relating to the Tax-Exempt Status of Bonds

The Issuer and the Lenders have covenanted in the Lender Agreement to not to knowingly take, permit, or fail to take any action if such action or inaction would impair the excludability of the interest on the Bonds from gross income for federal tax purposes pursuant to the Code.

Origination and Closing of Mortgage Loans

Each Lender agrees to use its best efforts to originate Mortgage Loans under the Program for sale to the Servicer. Each Lender will sell the Mortgage Loans to the Servicer at the applicable Mortgage Loan Sale Price. The Lenders will be notified of the availability of funds under the Program, and various Program terms, by a Notice of Availability of Funds provided by the Issuer to the Lenders.

Mortgage Loan Terms

All Mortgage Loans are to be originated in accordance with the loan origination, eligibility and credit underwriting standards in effect under the Program Documents, including the Lender Agreement, the Program Guidelines and the GNMA Guide. In addition, each Mortgage Loan: (1) must be made to an Eligible Borrower to finance a Residence which is the principal residence of the Eligible Borrower; (2) must be evidenced by a Mortgage Note and secured by a Mortgage creating a first lien on such Residence, subject to permitted encumbrances; (3) must bear interest at the applicable rate, which interest will be payable in arrears and which includes amounts equal to the servicing fee; (4) must have a term of 30 years and must provide for level monthly payments and full amortization over the term thereof; (5) must provide for payments to be due on the first day of each month and for an initial principal payment not later than the first day of the second month following the Mortgage Loan closing date, and may include provision for a grace period not exceeding 15 days and late payment charges in amounts not in excess of the customary charges permitted by FHA, VA or USDA-RHS and GNMA, as applicable; (6) must be in a principal amount not exceeding such amount as conforms to the eligibility and credit underwriting

standards specified in the Agreements and the limitations of FHA, VA, USDA-RHS and/or GNMA, as applicable, as of the date of Mortgage Loan closing; (7) must be the subject of FHA insurance, a VA guaranty or a USDA-RHS guaranty; (8) must restrict the assumption of the Mortgage Loan as required under the Program Documents; (9) must be the subject of a title insurance policy or have a valid commitment therefor; (10) must be current in payments of principal, interest, taxes and insurance; (11) must relate to a Residence the Purchase Price of which is not in excess of the Maximum Purchase Price; (12) must comply in all respects with the GNMA guidelines and FHA, VA and USDA-RHS rules and regulations, as applicable, and all Program Documents; and (13) must be eligible for pooling into GNMA Certificates.

Verification of Mortgage Eligibility Requirements

The Issuer will act as compliance agent under the Program and will be responsible for approving the qualification of each Eligible Borrower under the applicable Program rules. In connection with the Issuer's determination, the Lender must do the following: (1) obtain affidavits of the Mortgagor, the Seller and Lender in the forms prescribed by the Program Guidelines, evidencing compliance by the borrower with the eligibility requirements of the Program; (2) review the contents of the Mortgagor's affidavit with the Mortgagor prior to the execution thereof; (3) obtain a Mortgagor's federal tax returns to verify that the Mortgagor did not claim deductions on the residence; (4) perform such additional verification procedures as required under the Program Guidelines to enable the Issuer to verify that the borrower eligibility requirements of the Program are satisfied as of the date of execution of the Mortgage Loan; and (5) review the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the requirements of the Program Documents.

Approval and Purchase

Any Mortgage Loan with respect to which the related Mortgage Loan file is deemed to be defective, or any Mortgage Loan which is otherwise not acceptable for purchase in accordance with the terms of the Program Documents, may be returned to the Lender to be cured, if possible, or may be held by the Servicer pending correction of such defect. The Servicer is only required to purchase non-defective Mortgage Loans. The purchase of an approved Mortgage Loan by the Servicer from the Lender will take place on a Mortgage Loan purchase date designated by the Servicer and at the applicable Mortgage Loan Sales Price.

Fees and Charges at Mortgage Loan Closing

At the Mortgage Loan closing, a Lender may collect from the Eligible Borrower or the Seller, and retain all reasonable and customary closing charges, including insurance premiums and warehouse fees, to the extent that such charges are permitted by law and do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not funded from the proceeds of tax-exempt bonds. Any amounts collected prior to the Mortgage Loan closing will be credited to the proper party at such closing.

Defects

Each Lender agrees to repurchase any defective Mortgage Loan from the Servicer in accordance with the provisions of the Loan Correspondent Purchase and Sale Agreement, the Lender Agreement and any other applicable Program Document. Additionally, each Lender agrees to reimburse the Issuer the Down Payment Assistance provided for each such defective Mortgage Loan.

THE SERVICING AGREEMENT

The following is a summary of certain provisions of the Servicer Agreement; the summary is qualified in its entirety by references to the Servicer Agreement.

Covenants Relating to the Tax-Exempt Status of Bonds

The Issuer and the Servicer have covenanted in the Servicing Agreement to not to knowingly take, permit, or fail to take any action if such action or inaction would impair the excludability of the interest on the Bonds from gross income for federal tax purposes pursuant to the Code.

Servicing Duties

See “The Program – Servicing” for a summary of certain of the servicing duties of the Servicer under the Program.

The Servicer will service all Mortgage Loans purchased from Lenders and will have the authority to do all things in connection with such servicing which it deems necessary or desirable. The Lender Agreements require the Lenders to sell the Mortgage Loans to the Servicer on a servicing-released basis. The Servicer will pay a servicing release premium to the Issuer in the amount set forth in the Servicing Agreement. Additional servicing compensation in the form of late payment charges or otherwise may be received by the Servicer to the extent permitted by law and not contrary to the terms of the Servicing Agreement.

The Servicer is required to pay all expenses incurred by it in connection with its servicing activities under the Servicing Agreement (including maintenance of an errors and omissions insurance policy and fidelity bond) and is not entitled to reimbursement, except as specifically provided in the Servicing Agreement.

The Servicer is required to service Mortgage Loans in accordance with the servicing standards as set forth in the Servicing Agreement and the loan servicing requirements of GNMA and FHA, VA or USDA-RHS, as applicable.

Review of Mortgage Loans

The Issuer is responsible for the review of each Mortgage Loan to determine compliance with the Program requirements under the Act and the Code. In performing such review, the Issuer is required to use reasonable efforts to satisfy itself that the mortgagor, mortgage loan and residence eligibility requirements of the Program are met with respect to each Mortgage Loan, and that the Lender originating such Mortgage Loan has complied with the verification requirements of the Lender Agreement and the Program Guidelines.

The Servicer is responsible for establishing compliance of the Lender and the Mortgage Loan with the terms of the Loan Correspondent Purchase and Sale Agreement.

Compensation of Servicer

As compensation for the performance of its servicing duties under the Agreements, the Servicer is entitled to receive a monthly fee in an amount equal to one-twelfth of .44% of the aggregate principal balance of the Mortgage Loans backing the GNMA Certificates.

Assumption Agreements

The Servicer will not permit the assumption of any Mortgage Loan unless an assumption agreement is entered into by the assuming Mortgagor which provides for the assumption of the indebtedness by such person. Assumptions also are not permitted unless the assuming Mortgagor qualifies as a Eligible Borrower under the Lender Agreement and the Program Guidelines, and the Mortgage Loan remains insured or guaranteed under all applicable insurance or guarantees. In such event, the Servicer may release the original Mortgagor from liability under the Mortgage and the Mortgage Note. The interest rate on the Mortgage Note may not be changed in connection with any assumption.

TAX MATTERS

General

In the opinion of Bond Counsel, under applicable law, subject to continuing compliance by the Issuer and others with certain covenants in the Agreements and the Indenture and related financing documents, and in reliance upon representations and conclusions in certificates, studies and reports of the Issuer and certain other participants in the financing, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purpose, and is not a specific preference item for purposes of the federal alternative minimum tax.

Sections 143 and 146 through 150 of the Code and applicable regulations provide that the interest on an issue of bonds (such as the Bonds) the proceeds of which are used to provide mortgages on owner-occupied residences, is not includable in gross income of the owners thereof for federal income tax purposes pursuant to section 103(a) of the Code if such bonds are “qualified mortgage bonds,” and, among other requirements, are issued in fully registered form. The term “qualified mortgage bonds” means bonds that are part of an issue that meet the requirements summarized below. The Bonds are intended to qualify as “qualified mortgage bonds.”

Mortgage Eligibility Requirements

Residence Requirements. All the residences for which financing is provided with the proceeds of an issue of qualified mortgage bonds must be located within the jurisdiction of the Issuer and must be single family residences which, at the time of execution or assumption of the respective mortgages, can reasonably be expected to become the principal residences of the respective mortgagors within a reasonable time after the financing is provided.

Prior Homeownership Limitations. At least 95% of the net proceeds of an issue of qualified mortgage bonds must be for mortgagors who did not have a present ownership interest in a principal residence at any time during the three-year period ending on the date of execution of the mortgage. However, this limitation does not apply to loans for “targeted area” residences and loans to Qualified Veterans.

Purchase Price Requirements. Each residence for which financing is provided with the proceeds of an issue of qualified mortgage bonds must have an acquisition cost not exceeding 90% of the average area purchase price. However, in the case of a targeted area residence, the acquisition cannot exceed 110% of the average area purchase price. The applicable regulations permit an issuer to rely upon average area purchase price limitations published by the Internal Revenue Service as safe harbor limitations or to utilize other limitations if the issuer has more accurate and comprehensive data than the safe harbor limitations.

The Maximum Purchase Price limits are set forth in the Program Guidelines and are based on limits set forth in revenue procedures published from time to time by the Internal Revenue Service, and other sources.

Income Limitations. Under applicable federal tax law, the maximum family income of the persons who are provided financing under an issuance of qualified mortgage bonds cannot exceed 100% (for families of 2 or less) or 115% (for families of 3 or more) of the greater of the state or local median family income. In the case of any financing provided for targeted area residences in qualified census tracts or areas of chronic economic distress, the maximum family income is unlimited for one-third of the mortgage loans, and the limit for the remaining two-thirds is 120% (for families of 2 or less) or 140% (for families of 3 or more) of the applicable median family income. The maximum family income limits are set forth in the Agreements.

New Mortgage Requirement. No part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage. All the lendable proceeds of an issue must be used to provide new mortgages to persons who did not have an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for the replacement of construction period loans, bridge loans and other similar temporary initial financing having a term not exceeding 24 months or for qualified subprime loans.

Assumption Requirements. In the event of the assumption of a mortgage financed with the proceeds of a qualified mortgage bond issue, the residence requirements, prior homeownership limitation, purchase price requirements, and income limitations must be satisfied at the time of the assumption as if the loan were being made for the first time.

Volume Cap Limitations. Section 146 of the Code provides that the aggregate amount of “private activity bonds,” including qualified mortgage bonds, issued by an issuer during the calendar year may not exceed the allocated portion of the State’s volume cap. The Issuer has obtained allocation of volume cap from the Texas Bond Review Board in an amount sufficient to permit the issuance of the Bonds as qualified mortgage bonds.

Targeted Area Requirements. An amount equal to at least 20% of the Bond proceeds must be made available for owner financing in Targeted Areas for at least one year from the time such owner financing is first made available.

Arbitrage Requirements

An issue of qualified mortgage bond (such as the Bonds) must satisfy the arbitrage requirements of sections 143 and 148 of the Code. In part, such requirements are as follows: (i) the effective rate of interest on mortgages provided with proceeds of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125% and, in calculating the effective interest rate on the mortgages, there must be taken into account all amounts borne by the mortgagor either directly or indirectly and (ii) arbitrage earned on nonmortgage investments must be paid to the United States.

Compliance with Tax Requirements

Section 143 of the Code and the applicable regulations provide that, with respect to each issue of qualified mortgage bonds, the targeted area requirements and clause (i) of the arbitrage requirements discussed above are met if the issuer attempts in good faith to meet such requirements by taking all reasonable steps to assure compliance and if any failure to meet such requirements is due to inadvertent error. With respect to the mortgage eligibility requirements, section 143 of the Code and the applicable

regulations provide that such requirements are met, with respect to each issue of qualified mortgage bonds, if (i) the issuer attempts in good faith to meet such requirements before the mortgages are originated including establishing reasonable procedures and conducting reasonable investigations, (ii) at least 95% of the proceeds of the issue used for mortgages are used for mortgages which meet all of the mortgage eligibility requirements at the time of execution or assumption, and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered or should have been discovered through the exercise of reasonable diligence. Consequently, a failure to satisfy the mortgage eligibility requirements at any time during the term of each issue of Tax-Exempt Bonds could result in the interest on such Bonds being includable in gross income for federal tax purposes retroactively to the date of issuance (as determined for federal tax purposes).

Certain procedures and safeguards have been incorporated into the Agreements and the Indenture to ensure compliance with the requirements of section 143 of the Code with respect to the Bonds. Furthermore, the Issuer, the Servicer, each Lender and the Trustee have each covenanted in the Agreements to follow such procedures toward compliance with such requirements. The Issuer and the Trustee have also made certain representations and covenants relevant to the tax status of interest on the Bonds in the Indenture and the Agreements.

Subject to the condition that the parties continuously comply with the above-referenced covenants and in reliance upon certain representations of the Issuer and others in certain certificates and any required verification report, Bond Counsel will provide its opinion to the effect that, under applicable law, interest on the Bonds will not be includable in gross income of the owners thereof for purposes of federal income taxation, and that interest on such Bonds will not be a specific preference item for purposes of the federal alternative minimum tax. Failure to comply with certain of such covenants and representations could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In expressing its opinion with respect to the Bonds, Bond Counsel will rely on certain representations of the Issuer and others as to matters solely within the knowledge of such persons. No independent investigation will be made by Bond Counsel with respect to certain of those matters.

Bond Counsel's opinion with respect to the Bonds is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel and such opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations, which may include bonds such as the Bonds. If an audit of such Bonds is commenced, under current procedures the Service is likely to treat the Issuer as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on Bonds, the Issuer may have different or conflicting interests from the owners of such Bonds. Public awareness of any future audit of Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless if its ultimate outcome.

Ownership of Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain foreign corporations doing business in the United States, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to,

tax-exempt obligations. Prospective purchasers of Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Premium and Discount on Certain Bonds

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount

Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

THE CONTINUING DISCLOSURE AGREEMENT

Definitions

“Annual Bond Disclosure Report” means any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, the Continuing Disclosure Agreement.

“Dissemination Agent” means the Trustee, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided, however, the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed below under “Reporting of Significant Events.”

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean any “participating underwriter” within the meaning of the Rule) required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Bond Disclosure

The Issuer shall cause the Dissemination Agent to provide, not later than six months after the end of the Issuer’s fiscal year (which currently ends August 30), commencing with the report for the fiscal year ending August 30, 2019, to the MSRB (in the electronic format prescribed by the MSRB) an Annual Bond Disclosure Report which is consistent with the requirements of the Continuing Disclosure Agreement.

If the Trustee is able to verify that an Annual Bond Disclosure Report has not been provided to the MSRB by the date specified in the preceding paragraph, the Trustee shall promptly send a notice to the MSRB stating that such Annual Bond Disclosure Report has not been timely completed and, if known, stating the date by which the Trustee anticipates such Annual Report will be filed.

Content of Annual Bond Disclosure Reports

Each Annual Bond Disclosure Report of the Issuer shall contain or incorporate by reference the following:

1. If prepared, the audited financial statements for the Issuer for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer.
2. Tables setting forth the following information, as of the end of such fiscal year:
 - a. For each maturity of the Bonds, the maturity date, the interest rate, the original aggregate principal amount and the principal amount remaining outstanding.
 - b. During the GNMA Certificate Purchase Period, the total principal amount of GNMA Certificates to be purchased and the total principal amount of GNMA Certificates purchased by the Trustee. This information will not be provided after the GNMA Certificate Purchase Period is completed.
 - c. The amounts in the funds and account securing the Bonds and a description of the related investments.
 - d. The aggregate principal amount of GNMA Certificates purchased, the aggregate principal balance of GNMA Certificates remaining outstanding, and the aggregate principal balance of GNMA Certificates at each pass-through rate remaining outstanding.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference, it must be in a document available to the public on the MSRB internet website or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

Reporting of Significant Events

Any of the following events shall be considered a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

(For the purposes of the event identified in paragraph 12 of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangements or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.)

13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, it shall promptly notify the Trustee in writing and shall timely file (not in excess of ten (10) business days after the occurrence of such event) a notice of such occurrence with the MSRB.

Termination of Reporting Obligation

The Issuer's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Dissemination Agent

The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver

The Issuer and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of the Continuing Disclosure Agreement may be waived, only upon satisfaction of the applicable provisions of the Continuing Disclosure Agreement.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the Issuer shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Bond Disclosure Report or notice of occurrence of a Listed Event.

Default

In the event of a failure of the Issuer or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of outstanding Bonds, shall, upon being indemnified as provided in the Continuing Disclosure Agreement), or any Owner or beneficial owner may, take such actions as may be necessary and appropriate to cause the Issuer or Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Beneficiaries

The Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners or beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. UNDER NO CIRCUMSTANCES SHALL THE ISSUER, THE TRUSTEE, OR THE DISSEMINATION AGENT BE LIABLE TO A BONDHOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE TRUSTEE, OR THE DISSEMINATION AGENT, RESPECTIVELY UNDER THE CONTINUING DISCLOSURE AGREEMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS AGREEMENT. EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION

FOR “MANDAMUS” OR SPECIFIC PERFORMANCE. THE TRUSTEE IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

ELIGIBILITY FOR INVESTMENT

Under the authority of the Act, the Bonds are legal and authorized investments for any banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees and guardians and sinking funds of cities, towns, villages, counties, school districts and other political corporations or subdivisions of the State of Texas. The Bonds are also declared eligible under the terms of the Act to secure the deposit of any and all public funds of the State of Texas and any and all public funds of cities, towns, villages, counties, school districts and other political corporations or subdivisions of the State of Texas, and are deemed to be lawful and sufficient security for such deposits at their face value. The Issuer has not made any investigation of any other rules, regulations or laws which may affect eligibility of the Bonds for investment or to secure the deposit of public funds.

NO LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer, which affects the existence of the Issuer or its governing body or the titles of its officers to their respective offices or seeks to prohibit, restrain or enjoin the sale of the Bonds, or the revenues or assets pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Agreements or the Continuing Disclosure Agreement.

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel. The form of the approving opinion of Bond Counsel is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Issuer and the Underwriter by Greenberg Traurig, LLP, Disclosure Counsel. The Underwriter will be represented by its counsel, Chapman and Cutler LLP.

FINANCIAL ADVISOR

Hilltop Securities Inc. (the “Financial Advisor”) is employed by the Issuer as an independent financial advisor in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal, state or local tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

Hilltop Securities Inc. has provided the following for inclusion in this Official Statement: Hilltop Securities Inc. has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Issuer with respect to the issuance of the Bonds, but it does not guarantee the accuracy or completeness of such information. Hilltop Securities Inc. has or may have other business relationships with the Issuer from time to time and may be acting in capacities other than as a financial advisor. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives as appropriate.

The Financial Advisor will be acting as the bidding agent for the Investment Securities to be purchased with moneys deposited in the Program Fund and will be paid a fee of \$ _____ for providing bidding agent services.

UNDERWRITING

Raymond James & Associates, Inc. (the “Underwriter”) has agreed to purchase from the Issuer all the Bonds at a total purchase price equal to the sum of the products of the principal amount of each maturity times the related offering price set forth on the inside cover page hereof. The Issuer has agreed to pay the Underwriter \$ _____ for its fees and expenses relating to the Bonds (including the fees and expenses of its counsel). The Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering price, and such initial offering price may be changed from time to time.

RATING

It is a condition to the issuance and delivery of the Bonds that the Bond have been assigned a rating of “Aa1” by Moody’s Investors Service, Inc. (the “Rating Agency”). No application has or will be made to any other rating agency for a rating on the Bonds. The assigned rating reflects only the views of the Rating Agency at the time such rating is given, and the Issuer makes no representation as to the appropriateness of such rating. An explanation of the significance of a rating may be obtained from the Rating Agency.

The Issuer has provided the Rating Agency information and materials relating to the Bonds, including information and materials that have not been included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and on investigations, studies and assumptions by such rating agency. There is no assurance that the rating initially assigned to the Bonds will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody’s, if in its sole judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating can be expected to have an adverse effect on the market price of the Bonds.

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MISCELLANEOUS

This Official Statement is submitted in connection with the issuance and delivery of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchaser or the Owner of any Bond. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

By: _____
President

APPENDIX A

DEFINITIONS

Certain capitalized terms used in this Official Statement and not otherwise defined under “Introduction” or elsewhere herein are set forth below. In some cases such definitions represent a condensed or otherwise modified form of the definition set forth in the Indenture or the Agreements. Reference is made to the Indenture and the Agreements for the complete definitions of such terms and for other capitalized terms that are not defined in this Official Statement.

“Act” means Subchapter Y of Chapter 2306, Texas Government Code, as amended.

“Agreements” means, collectively, the Lender Agreements and the Servicing Agreement.

“Allied Health Program Faculty Member” means a fulltime member of the faculty of an undergraduate or graduate allied health program of a public or private institution of higher education in this state.

“Bond Counsel” means Norton Rose Fulbright US LLP, or such other nationally recognized bond counsel as the Issuer shall select which is experienced in the issuance of tax-exempt revenue bonds under the exemptions provided under section 103 of the Code.

“Business Day” means any day other than (i) a Saturday or Sunday (ii) a day on which banking institutions are closed in New York, New York, or in the state in which either the principal office of the operations office of the Trustee is located, or (iii) a day on which the New York Stock Exchange is closed.

“Certificate Purchase Period” means the period from the Bond issuance date through _____, 20__ , during which the Servicer or the Issuer can sell Certificates to the Trustee at the Certificate Sale Price; provided that the last date of such period may be extended in connection with an extension of the Nonorigination Redemption Date

“Certificate Sale Date” means any date on which the Servicer or the Issuer sells a Certificate to the Trustee during the Certificate Purchase Period.

“Certificate Sale Price” means ____% of the outstanding principal balance of the Mortgage Loans in the pool backing the applicable GNMA Certificate. No accrued interest shall be paid at the time of the purchase of a Certificate but shall be paid by the Trustee to the Servicer upon receipt of the first Certificate interest payment by the Trustee.

“Code” means the Internal Revenue Code of 1986, as amended, together with the corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

“Corrections Officer” means a corrections officer employed by the Texas Department of Criminal Justice or a juvenile correctional officer employed by the Texas Juvenile Justice Department.

“County Jailer” has the meaning assigned by Section 1701.001 of the Texas Occupations Code.

“Eligible Borrower” means a person or persons

(a) who is at least one of the following: (i) Allied Health Program Faculty Member, (ii) Corrections Officer, (iii) County Jailer, (iv) Emergency Medical Services Personnel, (v) Fire Fighter, (vi) Peace Officer, (vii) Professional Educator, (viii) Professional Nursing Program Faculty Member, (ix) Public Security Officer or (x) Veteran;

(b) who resides in the State of Texas on the Mortgage Loan application date;

(c) whose income does not exceed the Maximum Family Income then in effect for such jurisdiction (except for one-third of the amount of Mortgage Loans for Residences in Targeted Areas or for a person who is a Qualified Veteran); (e) who intends to occupy the Residence to be financed with a Mortgage Loan as his or her principal residence within a reasonable period (not to exceed 60 days) following the closing of such Mortgage Loan; (f) who (except in the case of a person who is obtaining a Mortgage Loan in a Targeted Area) has not had a present ownership interest in a principal residence (except for the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the loan closing date; (g) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow, or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than an existing mortgage securing a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred within 24 months of the Mortgage Loan closing date, having an original term not exceeding 24 months, and not providing for scheduled payments of principal during such term; and (h) who has not previously obtained a commitment for a Mortgage Loan under the Program.

“Eligible Loan Area” means the State of Texas.

“Emergency Medical Services Personnel” has the meaning assigned by Section 773.003, Texas Health and Safety Code

“Family Income” means, with respect to a person, the “gross monthly income,” multiplied by twelve, of such person and of any other person who is expected to live in the Residence being financed and is liable on the Mortgage, all as determined in accordance with such person’s Program affidavit relating to the Mortgage Loan. For purposes of this definition, “gross monthly income” includes the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, VA compensation, and net rental income, etc. and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

“Fire Fighter” means a member of a fire department who performs a function listed in Section 419.021(3)(C), Texas Government Code.

“First-Time Homebuyer” means a Mortgagor who has not had an ownership interest in a principal residence at any time during the three-year period prior to the closing of the related Mortgage Loan.

“GNMA” means the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

“GNMA Certificate” means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Servicer and guaranteed by GNMA pursuant to GNMA’s GNMA II Mortgage-

Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by FHA-guaranteed, VA-guaranteed or USDA-RHS-guaranteed Mortgage Loans referred to in the GNMA Guaranty Agreement and shall unconditionally obligate the Servicer to remit monthly to the central paying and transfer agent its pro rata share of (x) principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Certificate and (y) interest received in an amount equal to the principal balance of the GNMA Certificate multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Certificate such holder's pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Certificate and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Certificate.

“GNMA Certificate Purchase Period” means the period from the Bond closing date through October 25, 2019,* during which the Servicer can sell GNMA Certificates to the Trustee at the applicable Certificate Sale Price; provided that the last date of such period may be extended in connection with an extension of the Nonorigination Redemption Date.

“Governmental Obligations” means obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2019.

“Investment Agreement” means a guaranteed investment contract or agreement (or similar arrangement), between the Trustee and the provider of such contract or agreement, which meets any applicable requirements of the Rating Agency and bears a rating that is sufficient to maintain a rating on the Bonds of “Aa1” or higher.

“Investment Securities” means any of the following which at the time of investment are legal investments under the laws of the State of Texas for moneys held under the Indenture and then proposed to be invested:

- (a) Governmental Obligations;
- (b) Federal Housing Administration debentures which must not be redeemable prior to their stated maturity;
- (c) obligations of the Farm Credit System;
- (d) obligations of Federal Home Loan Banks;
- (e) certificates of deposit having a stated maturity of 90 days or fewer from the date of its issuance, that are issued by a state or national bank domiciled in the State of Texas (including those of the Trustee) or a savings and loan association domiciled in the State, *provided* that such certificate of deposit is fully insured by the Federal Deposit Insurance Corporation or its successor and that such banking institution is rated not less than P-1 by the Rating Agency;

* Preliminary; subject to change

(f) bankers' acceptance which (i) have a stated maturity of 90 days or fewer from the date of its issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible collateral for borrowing from a Federal Reserve Bank, and (iv) are issued by a bank organized and existing under the laws of the United States or of any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than P-1 by the Rating Agency;

(g) deposits which are fully insured by the Federal Deposit Insurance Corporation ("FDIC"); provided that such deposits are with a banking institution rated not less than P-1 by the Rating Agency;

(h) commercial paper which (i) has a stated maturity of 90 days or fewer from the date of its issuance and (ii) is rated not less than P-1 by the Rating Agency;

(i) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York), and any stripped securities assessed or rated in the highest applicable rating category by the Rating Agency at the time of such purchase;

(j) the Investment Agreement;

(k) a money market fund of the Trustee or its affiliates that is rated by the Rating Agency in its highest rating category; and

(l) any other investment which in the opinion of the Issuer's counsel is at the time permitted by then applicable law for the investment of the Issuer's funds and to the extent such investments are rated by a Rating Agency in its highest rating category.

"Lender Agreement" means the Mortgage Origination Agreement between the Issuer and each Lender.

"Lender" means a lender that meets the eligibility requirements under the Program and is approved by the Issuer and the Servicer.

"Loan Correspondent Purchase and Sale Agreement" means the agreement between the Servicer and each Lender setting forth the terms and conditions under which the Servicer will purchase a Mortgage Loan from a Lender and the duties, obligations, representations, warranties and covenants of the Lender to the Servicer.

"Maximum Purchase Price" means the applicable maximum purchase price amount set forth in the Program Guidelines (meeting the requirements of the Code, the Act and any other Program requirement), subject to adjustment from time to time based on notice from the Issuer to the Lenders.

"Maximum Family Income" means the applicable maximum family income amount set forth in the Program Guidelines (meeting the requirements of the Code, the Act and any other Program requirement), subject to adjustment from time to time based on notice from the Issuer to the Lenders.

"Mortgage" means the deed of trust instrument (including any riders) securing a Mortgage Loan that creates a first lien on a Residence subject to permitted encumbrances, and that shall be in form acceptable to FHA, VA or USDA-RHS, as applicable.

“Mortgage Loan” means a mortgage loan made by a Lender with respect to a Residence pursuant to and in accordance with the Program, evidenced by a Mortgage Note and secured by a Mortgage.

“Mortgage Loan Rate” means ___% per annum; provided that the Mortgage Loan Rate may be increased or decreased if the conditions of the Indenture and the Agreements are met.

“Mortgage Note” means the promissory note evidencing the obligation to repay a Mortgage Loan, that shall be in the form acceptable to FHA, VA or USDA-RHS, depending on whether the Mortgage Note evidences an FHA-insured Mortgage Loan, a VA-guaranteed Mortgage Loan, a USDA-RHS-guaranteed Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Issuer and the Servicer and provided to Lenders by the Servicer.

“Mortgagor” means any person who has a present ownership interest in the Residence and is the obligor on a Mortgage Note, or a subsequent owner of a Residence who has assumed the Mortgage in accordance with the Agreements (but does not include a person who is liable on the Mortgage Note solely as a guarantor or cosignor, who does not have a present ownership interest in the Residence).

“Nonorigination Redemption Date” means November 1, 2019*, or any extended date established pursuant to the condition of the Indenture.

“Non-Targeted Area Mortgage Loan” means a Mortgage Loan that provides financing for the acquisition of a Residence that is in a Non-Targeted Area.

“Notice of Availability of Funds” means a notice issued by the Issuer to the Lenders with respect to the availability of funds to originate Mortgage Loans under the Program and certain terms of the Mortgage Loans.

“Owner” means the person in whose name a Bond is registered on the registration books maintained by the Trustee.

“Pass-Through Rate” means the interest rate accruing each month on a Certificate (initially ___% and subject to increase or decrease based on changes to the related Mortgage Loan rate), which will equal the Mortgage Loan Rate of the Mortgage Loans backing the Certificate less the servicing fee.

“Peace Officer” has the meaning assigned by Section 1.07(a)(36), Texas Penal Code.

“Professional Educator” means a classroom teacher, full-time paid teacher's aide, full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, Texas Education Code, full-time school nurse, or allied health or professional nursing program faculty member.

“Professional Nursing Program Faculty Member” means a full-time member of the faculty of either an undergraduate or graduate professional nursing program.

“Program Guidelines” means the written guidelines issued by the Issuer with respect to the Program, which guidelines are updated from time to time.

“Prepayments” means payments in addition to regularly scheduled principal payments on the GNMA Certificates.

* Preliminary; subject to change

“Premium PAC Bonds” means the Term Bonds maturing on March 1, 2049*.

“Premium Term Bonds” means the Term Bonds maturing March 1, 2040*, March 1, 2045*, and March 1, 2050*.

“Program” means the Issuer’s program for financing Mortgage Loans to Eligible Borrowers through the issuance of the Bonds.

“Program Documents” means the Lender Agreements, the Servicing Agreement, the Program Guidelines, the Loan Correspondent Purchase and Sale Agreement, and all other documents relating to the Program.

“Program Expenses” means the fees and expenses payable to the Trustee, the Rebate Analyst and the Issuer in the amounts set forth in the Indenture.

“Program Guidelines” means the guidelines for the Program established by the Issuer, which are subject to amendment from time to time.

“Public Security Officer” has the meaning assigned by Section 1701.001, Texas Occupations Code.

“Purchase Price” means the cost to a Mortgagor of acquiring a Residence from the Seller as a completed residential unit as set forth in the Lender Agreement.

“Qualified Veteran” means a person who is a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran’s exception to the 3-year requirement set forth in Section 143(d)(2)(D) of the Code.

“Rating Agency” means Moody’s Investors Service, Inc., its successors and assigns, or any other national rating agency which has assigned and is maintaining a credit rating on the Bonds

“Rebate Amount” means, with respect to the Bonds, the amount required to be rebated to the United States Government, as determined under Code Section 148 and Treasury Regulation Section 1.148-3.

“Rebate Analyst” means initially BLX Group LLC, or its successors or assigns.

“Record Date” means the close of business on the 25th day of the month preceding each Interest Payment Date, whether or not such 25th day is a Business Day.

“Residence” means real property and improvements permanently affixed thereon (but does not include property not constituting “fixtures” under State of Texas law) (i) that is located within the Eligible Loan Area; (ii) that consists of a single family detached or attached structure consisting of not more than four connected dwelling units intended for residential housing for one family or a single unit in a Condominium Development, Planned Unit Development, or *de minimus* PUD (as each term is defined in the Lender Agreement), a single unit in a duplex, triplex, or fourplex, or an entire duplex, triplex, or fourplex to be financed, *provided* that one of the units will be occupied by the Mortgagor and the Residence was first occupied for residential purposes at least five years prior to origination of the Mortgage Loan (however, this five-year requirement does not apply to the extent described in the next sentence) or a single unit in a duplex (but not including a mobile home or any personal property); and (iii) the Purchase Price (as defined in the Lender Agreement) of which does not exceed the Maximum

Purchase Price (as defined in the Lender Agreement); *provided, however*, that land appurtenant to a Residence shall be considered as part of such Residence only if such land reasonably maintains the basic liability of such Residence and does not provide, other than incidentally, a source of income to the Mortgagor. The requirement that a multiple unit building have first been occupied for residential purposes at least five years prior to the closing of the Mortgage Loan does not apply in the case of a two-family Residence that is a Residence located in a Targeted Area. No portion of a Residence shall consist of a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

“Revenues” means all income, revenues, proceeds and other amounts received by the Trustee from or on behalf of the Issuer, including all amounts received in connection with the GNMA Certificates, and any and all interest, profits or other income derived from the investment of amounts in any Fund (except the Program Expense Fund, the Cost of Issuance Fund and any Rebate Amount in any Fund).

“Seller” means, with respect to a Mortgage Loan, the seller of the Residence being financed with such Mortgage Loan.

“Servicer” means Lakeview Loan Servicing, LLC, or any successor to its duties hereunder, and any additional Servicer appointed by the Issuer under the Program.

“Targeted Area” means that part of the Eligible Loan Area that has been or may be designated from time to time as a qualified census tract or an area of chronic economic distress in accordance with Section 143(j) of the Code. The list of Targeted Areas for the Eligible Loan Area are set forth in the Program Guidelines.

“Term Bonds” means the Bonds subject to mandatory sinking fund redemption.

“Veteran” has the meaning assigned by Section 161.001, Texas Natural Resources Code.

APPENDIX B

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, acts as securities depository for the Bonds (for purposes of this section, the Bonds will be referred to as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Securities and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC by the Trustee.

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

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, DTC's nominee, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Tender Agent's DTC account.

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

Portions of the foregoing information regarding the book-entry only system have been provided by DTC. Accordingly, neither the Issuer nor the Underwriters are making any representation concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. There can be no assurance that DTC or the DTC Participants will abide by the procedures described herein or that such procedures will not be changed from time to time. In the event a successor securities depository is designated, it may establish different procedures.

APPENDIX C
FORM OF BOND COUNSEL OPINION

Bond Purchase Agreement

\$40,000,000*
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

BOND PURCHASE AGREEMENT

April __, 2019

Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Boulevard
Austin, Texas 78702

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants contained herein, and the terms and conditions contained herein, Raymond James & Associates, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this "Purchase Agreement"), relating to the above-captioned bonds (the "Bonds"), with Texas State Affordable Housing Corporation (the "Issuer"), which Purchase Agreement will become binding upon the Issuer and the Underwriter upon your acceptance by execution of this Purchase Agreement and its delivery to the Underwriter at or prior to 5:00 p.m., Central time, not later than April __, 2019.

The Issuer acknowledges and agrees that (i) in connection with the sale and purchase of the Bonds under this Purchase Agreement, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Issuer; (ii) the Underwriter has not assumed any obligations to the Issuer except as expressly set forth in this Agreement, unless otherwise required by applicable law; (iii) the Underwriter is not acting as a financial advisor to the Issuer with respect to the offering or sale of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Issuer on other matters), (iv) the Underwriter has financial and other interests that differ from those of the Issuer; and (v) the Issuer has consulted with its legal counsel and financial advisor to the extent it deemed appropriate in connection with the offering and sale of the Bonds.

1. Introduction. The Issuer will issue its Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A, in the aggregate principal amount of \$40,000,000*, pursuant to Subchapter Y of Chapter 2306 of the Texas Government Code, as amended (the "Act"), the Resolution (defined below) and a Trust Indenture dated as of May 1, 2019 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds will be issued to provide funds to finance mortgage loans ("Mortgage Loans") secured by mortgages on single family residences located within the State of Texas under the applicable terms of the Corporation's Texas Homes for Heroes Program (the "Program"). The financing of the Mortgage Loans will occur through the purchase by the Trustee (on behalf of the Issuer) of pass-through certificates backed by the Mortgage Loans from moneys on deposit in the Program Fund established under the Indenture for the Bonds, which certificates will be guaranteed by the Government National Mortgage Association ("GNMA") (the "Certificates").

* Preliminary; subject to change

2. Purchase, Sale and Delivery of Bonds. On the basis of the representations and agreements contained herein, but subject to the terms and conditions herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, the Bonds at an aggregate purchase price equal to \$ _____ (which is the sum of \$40,000,000*, the total initial principal amount of the Bonds, plus a total premium of \$ _____). The Bonds will bear interest from their date of delivery, and therefore no accrued interest will be paid as part of the purchase price.

The Bonds will mature on the dates and in the aggregate principal amounts, and bear interest at the rates per annum, shown on Schedule I. The Underwriter's purchase price for each maturity of the Bonds, shown as a percentage of the principal amount of such maturity, is also set forth in Schedule I. The Issuer shall pay on the Closing Date to the Underwriter \$ _____ (the "Underwriter's Fee") for the Underwriter's fees and expenses.

The Issuer will deliver the Bonds to the Underwriter against payment of the purchase price therefor by wire transfer payable in immediately available funds to the Trustee. The closing will occur at the offices of Norton Rose Fulbright US LLP, Bond Counsel, at 10:00 a.m., Central time, on May __, 2019, or at such other time or place as the Issuer and the Underwriter shall mutually agree upon (such time being referred to herein as the "Closing Date"). The Bonds shall be delivered in definitive fully registered form, in each case in such form as shall comply with the book-entry system requirements of The Depository Trust Company, New York, New York.

3. Transaction Documents. At or prior to the Closing Date, the Issuer shall deliver to the Underwriter the following documents in form and substance satisfactory to the Underwriter:

(a) a copy of the resolution adopted by the Issuer on February 13, 2018, approving the issuance, sale and delivery of the Bonds (the "Resolution");

(b) a copy of the executed Indenture;

(c) a copy of the executed Servicing and Sale Agreement dated as of _____, 2019 (the "Servicing Agreement"), between the Issuer and Lakeview Loan Servicing, LLC (the "Servicer");

(d) a copy of the form of Mortgage Origination Agreement between the Issuer and each financial institution participating in the Program as a lender (each a "Lender"), and a copy of the Amendment (Relating to Bond-Financed Programs) thereto dated as of _____, 2019, executed by the Issuer and delivered to each Lender (collectively, the "Lender Agreements");

(d) a copy of the executed Continuing Disclosure Agreement dated as of May 1, 2019 (the "Continuing Disclosure Agreement"); and

(e) a copy of the Official Statement (defined below) of the Issuer relating to the Bonds duly executed on behalf of the Issuer by the President or other duly authorized representative of the Issuer.

The Issuer confirms that it has heretofore made available to the Underwriter copies of the Preliminary Official Statement dated April __, 2019, relating to the Bonds (the "Preliminary Official Statement") and has approved the distribution thereof to prospective underwriters and investors. The Issuer hereby represents to the Underwriter that the Preliminary Official Statement was deemed by the

* Preliminary; subject to change

Issuer to be “final” as of its date within the meaning of Rule 15c2-12(b) under the Securities Exchange Act of 1934.

The Issuer authorizes, ratifies and consents to the use of the Preliminary Official Statement by the Underwriter in connection with the Issuer’s offer, sale and distribution of the Bonds.

Upon the request of the Underwriter (which request shall be made no later than seven (7) business days following the date hereof), the Issuer will deliver to the Underwriter three copies of the Preliminary Official Statement and completed with the information permitted to be omitted therefrom by Rule 15c2-12(b) under the Securities Exchange Act of 1934 and such other amendments or supplements as shall have been approved by the Issuer and the Underwriter (the “Preliminary Official Statement, as so completed, being hereinafter referred to as the “Official Statement”) duly executed on behalf of the Issuer.

The Issuer approves, and the Underwriter consents to, the delivery of the Preliminary Official Statement and the Official Statement in electronic form.

This Purchase Agreement, the Indenture, the Servicing Agreement, the Lender Agreements and the Continuing Disclosure Agreement are referred to herein collectively as the “Issuer Agreements.”

4. Representations and Warranties. The Issuer represents and warrants to the Underwriter as follows:

(a) it is a non-profit corporation duly organized and existing under the laws of the State of Texas (the “State”), and has full legal right, power and authority (i) to enter into this Purchase Agreement (ii) to execute and deliver the Issuer Agreements, (iii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, (iv) to use the proceeds of the Bonds to purchase the Certificates and for other purposes described in the Indenture and (v) to consummate the transactions contemplated by the Issuer Agreements and the Official Statement;

(b) the information set forth in the Official Statement under the captions “The Issuer” and “No Litigation” does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made not misleading;

(c) it is not in breach of or default under any applicable law or administrative regulation of the State, the United States or any applicable judgment or decree or any payment default with respect to any obligations, in each case, where such default would have a material adverse effect on its ability to perform its obligations hereunder or under the Issuer Agreements; and the execution and delivery of the Issuer Agreements and the Bonds, and the compliance with the provisions thereof, do not conflict with or constitute a material breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or to which it or any of its property is otherwise subject;

(d) all material approvals, consents and orders of any governmental entity of the State or the United States having jurisdiction which would constitute conditions precedent to the performance by the Issuer of its obligations under the Issuer Agreements and the Bonds have been or will be obtained prior to the Closing Date;

(e) to the best of its knowledge, the terms and provisions of the Issuer Agreements comply in all material respects with the requirements of the Act; and the Issuer Agreements and the Bonds, when

executed and delivered by the Issuer, will constitute its valid, legal and binding obligations enforceable in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar law affecting the enforcement of creditors' rights generally and by public policy considerations which may render the Issuer Agreements or the Bonds unenforceable, and subject to the availability of equitable remedies generally;

(f) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against it affecting its existence or its governing body or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the delivery of the Bonds or the revenues or assets pledged to the payment of the principal of and interest on the Bonds, or the pledge of such revenue or assets, the purchase of the Certificates, or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Agreements, or contesting in any way the completeness or accuracy the Official Statement, or contesting its powers or any authority for the issuance or delivery of the Bonds or the execution and delivery of the Issuer Agreements;

(g) any certificate signed by one of its authorized officers and delivered to the Underwriter or the Trustee at or prior to the Closing Date shall be deemed a representation by it in connection with this Purchase Agreement to the Underwriter or the Trustee as to the statements made therein;

(h) the Bonds, when issued, authenticated and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be the Issuer' validly issued and outstanding limited obligations entitled to the benefits of the Indenture;

(i) the Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Resolution and the Indenture, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and

(j) to the best of its knowledge, the Issuer has not failed to comply, in all material respects, with any continuing disclosure undertaking during the five-year period preceding the date of the Official Statement.

The Issuer agrees that all representations and covenants made by it herein, and in securities, agreements or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Underwriter, and that all representations and covenants made by the Issuer herein and therein and all the Underwriter's rights hereunder and thereunder shall survive the delivery of the Bonds.

5. Covenants. The Issuer covenants with the Underwriter that:

(a) if between the date of this Purchase Agreement and the date 90 days following the end of the underwriting period (as such term is defined in Rule 15c2-12(e)(2) under the Securities Exchange Act of 1934, which may be assumed by the Issuer to be the Closing Date unless otherwise notified by the Underwriter) an event occurs affecting the Issuer, or any transaction contemplated by the Issuer Agreements, which could cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact which should be included therein for the purposes for which the Official Statement was to be used or which is necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and, if in the opinion of the Issuer or the Underwriter such event requires an amendment or supplement to such Official Statement, the Issuer will change, amend or supplement the Official Statement in a form and in a manner reasonably acceptable to

the Underwriter and at the reasonable expense of the Issuer and/or the Underwriter as shall be mutually agreed; provided, however, if such event shall occur on or prior to the Closing Date, the Underwriter, in its sole discretion, shall have the right to terminate its obligations hereunder by written notice to the Issuer, and the Underwriter shall be under no obligation to purchase and pay for the Bonds; and

(b) the Issuer, at no expense to the Issuer, will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, the Issuer shall not be required to register as a dealer or broker in any such state or jurisdiction nor shall it be required to consent to the jurisdiction of such state or jurisdiction.

6. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at the Closing Date an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) Except as otherwise set forth in Schedule I attached hereto, the Issuer will treat the first price or prices at which 10% of each maturity of the Bonds is sold to the public (the “10% Test”) as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% Test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Issuer or Bond Counsel. For purposes of this section 6(b), if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that Underwriter offered the Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the 10% Test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “Hold-The-Offering-Price Rule”). So long as the Hold-The-Offering-Price Rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The Underwriter will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the Hold-The-Offering-Price Rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Issuer acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the

Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-The-Offering-Price Rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

7. Conditions to Obligations of Underwriter. The obligation of the Underwriter to purchase and pay for the Bonds at the Closing Date is subject to the accuracy of the representations of the Issuer herein as of the date hereof and as of the Closing Date, to the material accuracy of statements to be made on behalf of the Issuer hereunder, to the material performance by the Issuer of its obligations hereunder and to the following additional conditions precedent:

(a) at the Closing Date, the Resolution, the Issuer Agreements, the Bonds and all official action of the Issuer relating thereto, shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and the

Official Statement shall have been executed and shall not have been amended or supplemented except as may have been agreed to by the Underwriter;

(b) the Issuer shall have received the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel, in form acceptable to the Issuer and the Underwriter;

(c) the Underwriter shall have received the supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Issuer, the Underwriter and the Trustee, to the effect that: (i) the Bonds constitute exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), and that it is not necessary, in connection with the offering and sale of the Bonds, to register any securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act; (ii) the Bonds, the Indenture, the Lender Agreements, the Servicing Agreement, and certain provisions of federal tax law conform to the descriptions thereof contained in the Official Statement, and the statements contained in the Official Statement on the cover and under the captions “Introduction,” “The Bonds,” “Security for the Bonds,” “Flow of Funds,” “The Program,” “The Indenture,” “The Lender Agreements,” “The Servicing Agreement,” “Tax Matters,” “Eligibility for Investment” and “Appendix A—Definitions,” insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Lender Agreements and the Servicing Agreement, federal tax law provisions relating to the Bonds, and the eligibility for investment under Texas law, present a fair and accurate summary of such provisions; (iii) the Issuer is empowered to acquire the Certificates to provide financing for single family residences in accordance with the Indenture and to assign the Certificates and other pledged revenues from which the Bonds are payable; (iv) the Indenture creates a valid pledge of the Trust Estate (as defined in the Indenture), the Certificates and money, securities and property held in any fund or account established pursuant to the Indenture (excluding amounts contained in the Cost of Issuance Fund and any Rebate Amount), including the investment thereof, and a first lien upon, security interest in and assignment to the Trustee of the same, and all right, title and interest of the Issuer in the Certificates, the Lender Agreements and the Servicing Agreement and subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein; and (v) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission (except state securities commissions) having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations under the Bonds, the Indenture, the Lender Agreements, the Servicing Agreement, the Continuing Disclosure Agreement and this Purchase Agreement, have been obtained and are in full force and effect;

(d) the Underwriter shall have received an opinion of Greenberg Traurig, LLP, counsel to the Issuer, dated the Closing Date and addressed to the Issuer, the Underwriter and the Trustee to the effect that: (i) this Purchase Agreement has been duly authorized, executed and delivered by, and constitutes a legally valid and binding agreement enforceable in accordance with its terms of, the Issuer except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws or equitable principles relating to or limiting creditors’ rights generally, and provided that no opinion need be expressed as to the availability of equitable remedies; (ii) the Issuer is a duly organized and existing non-profit corporation, duly organized and existing under the Constitution and laws of the State, acting pursuant to the Act, with full legal right, power and authority to issue the Bonds and to perform all of its obligations under the Bonds, the Resolution and the Issuer Agreements, and the same are now in full force and effect, and the Issuer has duly adopted the Resolution and has duly authorized, executed and delivered the Bonds, the Issuer Agreements and the Official Statement, and (assuming due authorization, execution and delivery by the other parties thereto, where necessary) the Issuer Agreements constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws or equitable

principles relating to or limiting creditors' rights generally, and *provided* that no opinion need be expressed as to the availability of equitable remedies); and (iii) the adoption of the Resolution, and the execution and delivery of the Bonds and the Issuer Agreements and the other instruments contemplated by any of such documents to which the Issuer is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or, to its knowledge, any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound;

(e) the Underwriter shall have received a certificate, dated the Closing Date and signed by an authorized officer of the Trustee (or an opinion of counsel to the Trustee as to one or more of such matters addressed to the Issuer and the Underwriter), to the effect that: (i) the Trustee is a national banking association, duly organized, validly existing and in good standing under the laws of the United States, is duly qualified to do business and to exercise trust powers in the State and in all jurisdictions where the nature of its operations as contemplated by the Indenture legally requires such qualification, and has the corporate power to take all action required or permitted of it under the Indenture (including actions required or permitted of it under the Continuing Disclosure Agreement; (ii) the execution, delivery and performance by the Trustee of the Indenture and the Continuing Disclosure Agreement, and its acknowledgment of certain provisions of the Servicing Agreement, have been duly authorized by all necessary corporate action on the part of the Trustee, and under present law do not and will not contravene the charter or by-laws of the Trustee or conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or instrument to which the Trustee is subject; (iii) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Trustee of its duties and obligations under the Indenture and its duties and obligations (including its duties and obligations as Dissemination Agent) under the Continuing Disclosure Agreement have been obtained and are in full force and effect; (iv) the Indenture and the Continuing Disclosure Agreement have been duly entered into and delivered by the Trustee and constitute the legal, valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally or by general equity principles; (v) the Trustee has taken all action necessary for the acceptance of, and has duly accepted the office of, Trustee under the Indenture and has the requisite trust powers to carry out its obligations under the Indenture; and (vi) no litigation has been served on the Trustee or, to the knowledge of such officer, threatened in any way contesting or affecting the existence of powers (including trust powers) of the Trustee or the Trustee's ability to fulfill its duties and obligations under the Indenture and its duties and obligations (including its duties and obligations as Dissemination Agent) under the Continuing Disclosure Agreement;

(f) the Underwriter shall have received a certificate, dated the Closing Date and signed by an authorized representative of the Issuer, to the effect that: (i) neither the adoption of the Resolution or the execution or delivery by the Issuer of the Bonds or the Issuer Agreements, nor the consummation of the transactions contemplated thereby, will result in the material violation of any constitutional provisions, statute, regulation or ordinance applicable to the Issuer or conflict with any indenture, loan agreement, bond, note, ordinance, resolution, contract, agreement or other instrument to which the Issuer is a party or, to the knowledge of the Issuer, is otherwise subject or bound; (ii) no material consent, approval, authorization, license or order of any governmental agency or body is required for the execution and delivery by the Issuer of, or performance by the Issuer of its obligations under, the Issuer Agreements, except such consents, approvals, authorizations, licenses or orders as already have been obtained and except such consents, approvals, authorizations, licenses or orders as may be required by the Attorney General of the State of Texas or under the state securities or "blue sky" laws of any jurisdiction in

connection with the offer and sale of the Bonds; (iii) no litigation or other proceeding is pending or, to the knowledge of the Issuer, threatened in any state or federal court or other tribunal of competent jurisdiction, in any material way: (a) restraining or enjoining the issuance, sale or delivery of the Bonds; (b) questioning or affecting the validity of the Resolution, the Issuer Agreements, the Bonds, the collection, application and pledge to the Bondholders of any moneys or other security provided for the payment of the Bonds under the Indenture, and Lender Agreements or the Servicing Agreement, or any other transaction referred to in the Official Statement; (c) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, issuance or delivery of the Bonds; (d) questioning or affecting the organization or existence of the Issuer or the title to office of any officer thereof; (e) questioning or affecting the power and authority of the Issuer to issue the Bonds or to execute and deliver the Issuer Agreements; (f) questioning the accuracy or completeness of the Official Statement; or (g) which would adversely affect the exclusion from gross income of interest paid on the Bonds for federal income tax purposes; (iv) the Issuer has complied with or will on the Closing Date be in compliance with all the material agreements and satisfied all the material conditions on its part to be performed or satisfied at or prior to the Closing Date, and the representations of the Issuer as to all material facts contained herein and in the Issuer Agreements are true, complete and correct as of the Closing Date; and (v) the statements and information contained in the Official Statement under the captions “The Issuer” and “No Litigation” with respect to the Issuer do not contain any untrue statements of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and (vi) to its knowledge, the Issuer has not failed to comply, in all material respects, with any continuing disclosure undertaking during the five-year period preceding the date of the Official Statement;

(g) the Underwriter shall have received a certificate or agreement of the Issuer concerning arbitrage and certain other federal income tax matters, dated the Closing Date and signed by an authorized officer of the Issuer, in form and substance satisfactory to Bond Counsel;

(h) the Underwriter shall have received an opinion of Greenberg Traurig, LLP, as Disclosure Counsel, dated the Closing Date and addressed to the Issuer and the Underwriter, in form and substance satisfactory to the Issuer and the Underwriter;

(i) the Issuer and the Underwriter shall have received a verification report of Greenberg Traurig, LLP dated the Closing Date, and addressed to the Issuer, the Trustee, the Underwriter and Bond Counsel, to the effect that the arbitrage yield calculations provided by the Underwriter are mathematically accurate;

(j) the Underwriter shall have received an opinion, dated the Closing Date and addressed to the Issuer, the Trustee and the Underwriter, of counsel to the Servicer, or in lieu of an opinion, a certificate executed by an authorized officer of the Servicer, to the effect that: (i) the Servicer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified and in good standing to transact in the State any and all business contemplated by the Servicing Agreement to be conducted by it and possesses all requisite power, licenses, permits and franchises to conduct any and all business contemplated by the Servicing Agreement to be conducted by it and to execute, deliver and comply with its obligations under the terms of the Servicing Agreement; (ii) the execution, delivery and performance of the Servicing Agreement have been duly authorized by all necessary corporate action; (iii) the Servicer is an FHA-approved, VA-approved, and USDA-RHS-approved mortgagee and meets all requirements of applicable laws so as to be eligible to purchase FHA-insured, VA-guaranteed and USDA-RHS-guaranteed mortgage loans; (iv) the Servicer has been approved by GNMA to issue mortgage-backed securities guaranteed by GNMA; (v) the Servicing Agreement constitutes a valid and binding agreement of the Servicer enforceable against the Servicer in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency,

reorganization or similar laws or equitable principles relating to or limiting creditors' rights generally and by public policy limitations on the enforceability of indemnities and provided that no opinion need be expressed as to the availability of equitable remedies); (vi) the execution and delivery of the Servicing Agreement by the Servicer and the performance and compliance with its terms in the manner contemplated therein will not violate (a) its certificate of incorporation or bylaws or (b) any laws in existence at the time of execution which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of the Servicing Agreement applicable to the Servicer and will not constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the material breach of, any material contract, agreement or other instrument to which the Servicer is a party or which may be applicable to it or any of its assets; (vii) there is no litigation pending or to such counsel's or authorized officer's knowledge, threatened, that would adversely affect the execution or validity of the Servicing Agreement by the Servicer, and there are no other legal or governmental proceedings other than ordinary routine litigation incident to the business conducted by the Servicer pending (or to the best of such counsel's or authorized officer's knowledge, threatened or contemplated by governmental authority or others) to which the Servicer is a party or by which the Servicer or any property of the Servicer is subject, which, if determined adversely to the Servicer would individually or, in the aggregate, have a material adverse effect on the financial position or results of the operations of the Servicer; and (viii) the statements under the heading "The Servicer" in the Official Statement do not include any untrue statement of a material fact or omit to state any material facts necessary to make the statements under such heading, in the light of the circumstances under which they are made, not misleading;

(k) the Underwriter shall have received written evidence satisfactory to it that Moody's Investors Service, Inc. has assigned a rating of at least "Aa1" to the Bonds;

(l) the Underwriter shall have received (i) evidence satisfactory to it of the approval of the Bonds by the Texas Bond Review Board (the "Board"), or the Board's Executive Director or his designee, and (ii) an unqualified opinion or certificate, dated on or prior to the Closing Date, of the Attorney General of the State approving the Bonds to the extent required by law, accompanied by the certificate of the Comptroller of the Public Account of the State of Texas as to official registration of the Bonds; and

(m) the Issuer shall furnish or cause to be furnished by such additional legal opinions, securities, instruments and other documents, as the Issuer, the Underwriter, Bond Counsel or Disclosure Counsel may reasonably request, to enable such counsel to render their respective opinions or to evidence compliance with legal requirements, the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied.

All the opinions, letters, securities, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter, and the Underwriter shall have the right to waive any condition set forth in this Section 7.

8. Termination. The Underwriter may terminate its obligations hereunder by written notice to the Issuer if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(a) (i) legislation shall have been enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States

Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) shall have been issued by the United States Department of the Treasury or the Internal Revenue Service, or (iv) any action shall be taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the United States Congress, in each case referred to in clauses (i), (ii), (iii) and (iv), with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received by any holder of Bonds; or

(b) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of counsel to the Underwriter, has the effect of requiring the offer or sale of the Bonds, to be registered under the Securities Act of 1933 or the Indenture to be qualified under the Trust Indenture Act of 1939 or any event shall have occurred or shall exist which, in the reasonable judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements or information contained therein not misleading in any material respect; or

(c) (i) in the Underwriter's reasonable judgment, the market price of the Bonds is adversely affected because: (a) additional material restrictions not in force as of the effective date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (b) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; (c) a general banking moratorium shall have been established by federal, New York or State authorities; or (d) a war involving the United States of America shall have been declared, or any other national or international calamity, including any act of terrorism, shall have occurred (economic or otherwise), or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the Underwriter's ability to market, take delivery of or redeliver Bonds; (ii) there shall have occurred any material change, or any other event in the securities or debt market, which, in the Underwriter's opinion, materially adversely affects the marketability of the Bonds, or any material development involving a prospective change in, or affecting particularly the economy of the geographic areas constituting the program area with respect to the Bonds, or the mortgage market of said jurisdiction, which, in the Underwriter's reasonable judgment, materially impairs the investment quality of the Bonds, or, in the Underwriter's reasonable judgment, materially impairs the ability of the Underwriter to market, take delivery of, or redeliver the Bonds; (iii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting any authority for or the validity of the Bonds, any of the proceedings of the Issuer taken with respect to the issuance, sale, release or delivery thereof, the pledge or application of any moneys or Certificates provided for the payment of the Bonds or the existence or powers of the Issuer; or (iv) any written notice shall have been given by the Rating Agency of any intended downgrading, suspension or withdrawal of the credit rating of the Bonds by the Rating Agency.

9. Expenses. If a Closing shall take place hereunder, the Issuer shall pay the Underwriter's Fee, the fees and expenses (including any legal expenses) of the Trustee, the fees and expenses of Bond Counsel, the fees and expenses of Disclosure Counsel, the fees and expenses of the Financial Advisor, the rating agency fee, printing and electronic posting costs, the verification fee (if any), and all other costs of

issuing the Bonds, but only from money deposited in the Cost of Issuance Fund established under the Indenture.

The Underwriter shall pay its own fees and expenses, unless otherwise agreed by the Issuer. The Servicer and the Lenders executing the Servicing Agreement and the Lender Agreements, respectively, shall pay their own expenses, including the fees and expenses of their respective counsels.

In the event that a closing does not take place, the Issuer shall not be responsible for any fees or expenses incurred in connection with the transactions contemplated under this Purchase Agreement.

10. Notices. Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing to the Issuer at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Raymond James & Associates, Inc., 951 East Byrd Street, Suite 930, Richmond, Virginia 23219; Attention: Chris Spelbring.

11. Successors. This Purchase Agreement is made solely for the benefit of the Issuer and the Underwriter (including their successors or assigns) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations, covenants and agreements contained herein shall remain operative and in full force and effect and shall survive delivery of and payment for the Bonds hereunder, regardless of any investigation made by or on behalf of the Underwriter.

12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of Texas.

13. Counterparts. This Purchase Agreement may be executed in one or more counterparts each of which shall be an original and all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

14. Effectiveness. This Purchase Agreement shall become effective upon the execution of the acceptance hereof by the Issuer.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.

By: _____
Name:
Title:

Accepted on April __, 2019:

TEXAS STATE AFFORDABLE HOUSING CORPORATION

By: _____
Name: David Long
Title: President

SCHEDULE I
MATURITY SCHEDULE

EXHIBIT A

CERTIFICATE OF REPRESENTATIVE

\$40,000,000

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Single Family Mortgage Revenue Bonds

(Texas Heroes Home Loan Program)

Series 2019A (Non-AMT)

I, the undersigned, an authorized officer of Raymond James & Associates, Inc., as the representative of the Underwriter (as defined below) with respect to the above-described bonds (the “Bonds”) being issued by the Texas State Affordable Housing Corporation (the “Issuer”), hereby certifies and represents as follows:

(1) *Public Offering.* On or before the Sale Date, the Underwriter offered all the Bonds to the Public in a bona fide initial offering at the initial public offering prices listed on **Attachment A** (the “Initial Offering Prices”). Included in **Attachment A** is a copy of the pricing wire or similar communication used to document the initial offering of each Maturity to the Public at the related Initial Offering Prices.

(2) *Sale of the General Rule Maturities.* As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the Initial Offering Price, and all of the Bonds comprising the first 10% of sales for each General Rule Maturity were sold at the same price.

(3) *Initial Offering Price of the Hold-the-Offering Price Maturities.* As set forth in the Bond Purchase Agreement, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering Price Maturities, they would neither offer nor sell any of the Bonds of such Maturity to a person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of Bond during the Holding Period.

(4) *Defined Terms.*

(a) “General Rule Maturities” means those maturities of the Bonds listed in **Attachment B** hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price Maturities” means those maturities of the Bonds listed in **Attachment B** hereto as the “Hold-the-Offering Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering Price Maturity to the Public at prices that are not higher than the Initial Offering Price for such Hold-the-Offering Price Maturity.

(d) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(e) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” is defined in U.S. Treasury Regulation § 1.150-1(b) which generally provides that the term related party means any two or more persons who have a greater than 50 percent common ownership, directly or indirectly.

(f) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April __, 2019.

(g) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer in executing and delivering its Tax Certificate, and by Norton Rose Fulbright US LLP, Bond Counsel, in rendering their respective opinions relating to the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Dated: April __, 2019

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.

By: _____

Name:

Title:

Attachment A
Initial Offering Price Documentation

[Attach Pricing Wire or Other Offering Price Documentation]

Attachment B

**General Rule Maturities and
Hold-the-Offering-Price Maturities**

General Rule Maturities

Hold-the-Offering-Price Maturities

Continuing Disclosure Agreement

TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of May 1, 2019 (this “Disclosure Agreement”) is executed and delivered by Texas State Affordable Housing Corporation (the “Issuer”) and Wells Fargo Bank, National Association (the “Trustee”), with respect to the Issuer’s Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A (Non-AMT) (the “Bonds”). The Issuer and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters for the Bonds in complying with Rule 15c2-12(b)(5) of the Securities Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in Trust Indenture dated as of May 1, 2019, between the Issuer and the Trustee, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement that is not defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Bond Disclosure Report” shall mean any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the President of the Issuer or his or her designee, or such other officer or employee as the Issuer may designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided, however, the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year from September 1 through August 31.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Owner” means the registered owner of any Bonds.

“Participating Underwriter” shall mean any person required to comply with the Rule in connection with the offering of the Bonds.

“Responsible Officer” shall mean, in the case of the Trustee, the officer or officers specifically administering the Indenture.

“Rule” shall mean Rule 15c2-12(b) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Trustee” shall mean Wells Fargo Bank, National Association, or any successor trustee pursuant to the Indenture.

SECTION 3. Provision of Annual Bond Disclosure Reports.

(a) The Issuer shall cause and hereby directs the Dissemination Agent to, not later than six months after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ending August 31, 2019, provide to the MSRB, in the electronic or other form required by the MSRB, an Annual Bond Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Bond Disclosure Report may be submitted as single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the Issuer, if prepared and when available, may be submitted separately from the balance of the Annual Bond Disclosure Report, and later than the date required in this paragraph for the filing of the Annual Bond Disclosure Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(b) Not later than ten (10) Business Days prior to the date specified in subsection (a) for providing the Annual Bond Disclosure Report to the MSRB, the Dissemination Agent shall provide the Annual Bond Disclosure Report to the Issuer and the Trustee. If by the date specified in this subsection 3(b), the Trustee has not received a copy of the Annual Bond Disclosure Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is intending to comply with subsection (a).

(c) If the Trustee is able to verify that an Annual Bond Disclosure Report has not been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) on behalf of the Issuer prepare and file the Annual Bond Disclosure Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Dissemination Agent upon receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof; and

(ii) file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Bond Disclosure Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

SECTION 4. Content of Annual Bond Disclosure Reports. The Annual Bond Disclosure Report for the Bonds may contain or incorporate by reference the following:

(a) If prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer.

(b) Tables setting forth the following information, as of the end of such Fiscal Year:

(i) For each maturity of the Bonds, the maturity date, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding.

(ii) During the Certificate Purchase Period, the total principal amount of Mortgage Loans to be financed and the total principal amount of Certificates purchased by the Trustee. This information will not be provided after the Certificate Purchase Period is completed.

(ii) The amounts in the funds and accounts securing the Bonds and a description of the related investments.

(iii) The aggregate principal amount of Certificates purchased, the aggregate principal balance of Certificates remaining Outstanding, and the aggregate principal balance of Certificates at each pass-through rate remaining Outstanding.

See Exhibit B hereto for a form for submitting the information set forth in the preceding subparagraph (b).

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

(For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangements or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.)
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties; and

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under number 1, 3, 4, 5, 6 (unless a judgment as to materiality is required to be made), 8 (if the event is a tender offer), 9, 11, 12 or 16 above, it shall promptly notify the Trustee in writing and shall direct the Dissemination Agent to immediately file a notice of such occurrence with the Municipal Securities Rulemaking Board. Such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Whenever the Issuer obtains knowledge of any Listed Event under number 2, 6 (if a judgment as to materiality is required), 7, 8 (if the event is a bond call), 10, 13, 14 or 15 above, it shall promptly determine if such event is material. If the Issuer determines that such event is material, it shall immediately notify the Trustee and the Dissemination Agent in writing and shall direct the Dissemination Agent to immediately file a notice of such occurrence with the Municipal Securities Rulemaking Board. Such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Any notice under the two (2) preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information.

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures.

(b) The Trustee shall, within one (1) Business Day of a Responsible Officer obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. It is agreed and understood that the duty to make the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Trustee has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any of such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Trustee be liable in damages or in tort to any Participating Underwriter, the Issuer, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

SECTION 6. Termination of Reporting Obligations. The Issuer’s obligations under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be Wells Fargo Bank, National Association.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Trustee may amend this Disclosure Agreement with consent of Dissemination Agent (and the Trustee shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Bond Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Bond Disclosure Report for the year in which the change is made should

present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Trustee may be made without its consent (which consent will not be unreasonably withheld or delayed).

The Issuer may also amend or repeal the provisions of this Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

SECTION 9. Additional Information; Miscellaneous. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Bond Disclosure Report or notice of occurrence of a Listed Event.

Any submission to the Municipal Securities Rulemaking Board (or other applicable repository) shall be in an electronic format and accompanied by identifying information, all as prescribed by the Municipal Securities Rulemaking Board.

SECTION 10. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon the Dissemination Agent being indemnified to its satisfaction), or any Owner of beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Trustee and the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Trustee of the Dissemination Agent. The Dissemination Agent's obligation to deliver the information at the time and with the content described herein shall be limited to the extent the Issuer has provided such information to the Dissemination Agent as required by this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall have any duty with respect to the content of any disclosures made pursuant to the terms hereof. Neither the Trustee nor the Dissemination Agent shall have any duty or obligation to review or verify any Annual Bond Disclosure Report, the Issuer's audited financial statements, Listed Events or any other information, disclosures or notices provided to the Trustee or the Dissemination by the Issuer and neither the Trustee nor the Dissemination Agent shall be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholder or any other party. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied its obligations under this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certification of the Issuer at all times. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including

attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct.

The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that either the Trustee or the Dissemination Agent is an "obligated person" under the Rule. The fact that the Trustee may have a banking relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Trustee or a Responsible Officer thereof has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Trustee pursuant to this Disclosure Agreement or the Indenture. Neither the Trustee nor the Dissemination Agent shall in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Trustee hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to them and believed to be genuine and to have been signed or presented by the proper party or parties.

The Trustee and the Dissemination Agent may, from time to time, consult with legal counsel of their own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE TRUSTEE OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE DISSEMINATION AGENT OR THE TRUSTEE, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE TRUSTEE IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

By: _____
President

[Signature Page for Continuing Disclosure Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
(as Trustee and Dissemination Agent)

By:

Authorized Officer

[Signature Page for Continuing Disclosure Agreement]

EXHIBIT A

**NOTICE OF FAILURE TO FILE
ANNUAL BOND DISCLOSURE REPORT**

Name of Issuer: Texas State Affordable Housing Corporation

Name of Bond Issue: Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program),
Series 2019A (Non-AMT)

Date of Delivery: May __, 2019

NOTICE IS HEREBY GIVEN that Texas State Affordable Housing Corporation has not provided an Annual Bond Disclosure Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated as of May 1, 2019, between the Issuer and Wells Fargo Bank, National Association, as trustee. The Issuer anticipates that the Annual Bond Disclosure Report will be filed by _____.

Dated: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
on behalf of Texas State Affordable Housing
Corporation

By: _____

Title: _____

cc: Texas State Affordable Housing Corporation

EXHIBIT B

TEXAS STATE AFFORDABLE HOUSING CORPORATION
Single Family Mortgage Revenue Bonds
(Texas Heroes Home Loan Program)
Series 2019A (Non-AMT)

ANNUAL BOND DISCLOSURE REPORT*

Delivery Date: _____, 20__

TRUSTEE

Name: _____
Address: _____
City: _____
Telephone: _____
Contact Person: _____

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Accrued Interest

CERTIFICATES

Type	Original Principal Amount	Outstanding Principal Amount	Interest Rate

INVESTMENTS

Fund/ Account Name	Investment Type	Principal Balance	Accrued Interest	Investment Rate	Maturity Date

*Excluding Audited Financial Statements of the Issuer

ASSETS & LIABILITIES OF PLEDGED TRUST ESTATE

Certificates (Principal Balance) _____
Funds and Accounts [list] _____
Accrued Interest (if any) _____
TOTAL ASSETS _____

LIABILITIES

Outstanding Bond Principal _____
Accrued Interest (if any) _____
Outstanding Program Expenses (if any) _____
TOTAL LIABILITIES _____

EQUITY

Assets Less Liabilities _____
Parity Ratio _____

Form of Accounting Cash Accrual Modified Accrual