

In the opinion of Bond Counsel to Rhode Island Housing, (1) under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2007 Series B-1A Bonds and the 2007 Series B-1B Bonds (together, the “2007 Series B Bonds”) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2007 Series B Bond for any period during which such 2007 Series B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of facilities financed with the proceeds of the 2007 Series B Bonds or a “related person,” and (ii) interest on the 2007 Series B Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In addition, in the opinion of Bond Counsel to Rhode Island Housing, pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, income on the 2007 Series B Bonds (including any profit on the sale thereof) is free from Rhode Island personal income taxes. (See “TAX MATTERS” herein.)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
Housing Bonds
\$26,290,000 2007 Series B-1A (AMT) (Fixed Rate Bonds)
\$19,270,000 2007 Series B-1B (AMT) (Variable Rate Demand Bonds)
(Rental Housing Program)

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The 2007 Series B-1A Bonds are being issued as fixed rate bonds (the “Fixed Rate Bonds”) and will bear interest from their date of delivery, payable semi-annually on each April 1 and October 1, commencing April 1, 2008, at the rates set forth on the inside cover hereof. The Fixed Rate Bonds will mature on the dates and in the principal amounts shown on the inside cover hereof.

The 2007 Series B-1B Bonds are being issued as variable rate bonds (the “Variable Rate Demand Bonds”), and will bear interest initially at the Weekly Rate and are subject to mandatory tender as described herein. The Variable Rate Demand Bonds are subject to purchase by the Tender Agent on the demand of the registered owners thereof on any business day upon seven days’ notice as described herein. The purchase price of such tendered Variable Rate Demand Bonds is payable from the proceeds of remarketing of such Variable Rate Demand Bonds and, to the extent remarketing proceeds attributable to such Variable Rate Demand Bonds are insufficient or not available therefor, from amounts available under the Standby Bond Purchase Agreement, dated as of December 1, 2007 (the “Initial Liquidity Facility”), among Rhode Island Housing, The Bank of New York Trust Company, N.A., as tender agent (the “Tender Agent”), and Dexia Credit Local, acting through its New York Branch (the “Bank”) or from any amounts available under any Substitute Liquidity Facility (as described herein). The Initial Liquidity Facility terminates on December 20, 2010, unless extended or terminated sooner in accordance with its terms. Under certain circumstances described herein, the obligation of the Bank to purchase Variable Rate Demand Bonds tendered by the Bondholders thereof or subject to mandatory purchase may be terminated without notice. See “**DESCRIPTION OF THE 2007 SERIES B BONDS—Tender of Variable Rate Demand Bonds for Purchase.**” Interest on the Variable Rate Demand Bonds is payable on each April 1 and October 1, commencing on April 1, 2008.

The 2007 Series B Bonds are subject to redemption at their principal amount prior to maturity, as described herein. See “**REDEMPTION PROVISIONS**” herein. The Variable Rate Demand Bonds are subject to mandatory tender and purchase upon the occurrence of certain events. See “**DESCRIPTION OF THE 2007 SERIES B BONDS—Tender of Variable Rate Demand Bonds for Purchase.**”

The 2007 Series B Bonds are issuable only as fully registered bonds, without coupons, and when issued, are expected to be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry only form, in the principal amount of (i) \$5,000 and integral multiples thereof for the Fixed Rate Bonds and (ii) \$100,000 and integral multiples of \$5,000 in excess thereof for the Variable Rate Demand Bonds. Investors will not receive certificates representing their interest in the 2007 Series B Bonds purchased. See “**DESCRIPTION OF THE 2007 SERIES B BONDS—Book-Entry Only System**” herein. Interest on the 2007 Series B Bonds is payable by check mailed to the registered owner. The Bank of New York Trust Company, N.A., Providence, Rhode Island acts as Trustee for the 2007 Series B Bonds. The principal of and redemption premium, if any, on the 2007 Series B Bonds are payable at the corporate trust office of the Trustee in its capacity as Paying Agent at its corporate trust office in Dallas, Texas. So long as Cede & Co. or another nominee of DTC is the registered owner of the 2007 Series B Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC. Disbursement of such payments to Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of Direct Participants and Indirect Participants (as herein defined).

The 2007 Series B Bonds, together with previously issued and outstanding Bonds and any additional Bonds hereafter issued, will not constitute general obligations of Rhode Island Housing but will constitute special revenue obligations of Rhode Island Housing and will be secured by and payable solely from a pledge of the Mortgage Loans and certain Revenues and Accounts established under the Resolution, all as more fully set forth herein. Rhode Island Housing has no taxing power. The 2007 Series B Bonds are not a debt or liability or obligation of the State of Rhode Island or of any political subdivision thereof.

The scheduled payment of principal and interest on each Series of the 2007 Series B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series of the 2007 Series B Bonds by Financial Security Assurance Inc. (“FSA”).



The 2007 Series B Bonds are offered when, as and if issued and received by the Underwriters, and subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Atlanta, Georgia, for Rhode Island Housing by its General Counsel, Brown Rudnick Berlack Israels LLP, Providence, Rhode Island and for the Bank by Chapman and Cutler LLP, Chicago, Illinois. It is expected that the 2007 Series B Bonds in definitive form will be available for delivery in New York, New York, on or about December 20, 2007.

UBS Investment Bank†

Goldman, Sachs & Co.†

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

Carolan & Co.

Division of Oppenheimer & Co. Inc.

Citi

Janney Montgomery Scott LLC

M.R. Beal & Company

RBC Capital Markets

Roosevelt & Cross, Inc.

December 14, 2007

† UBS Securities LLC will be the initial Remarketing Agent of the Variable Rate Demand Bonds and, along with Goldman, Sachs & Co., the sole underwriters of the Variable Rate Demand Bonds.

MATURITY SCHEDULE

2007 Series B-1A (AMT)

\$1,885,000 2007 Series B-1A Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
October 1, 2009	\$130,000	3.65%	October 1, 2014	\$195,000	4.20%
October 1, 2010	205,000	3.80	October 1, 2015	195,000	4.30
October 1, 2011	225,000	3.90	October 1, 2016	210,000	4.40
October 1, 2012	235,000	4.00	October 1, 2017	230,000	4.50
October 1, 2013	260,000	4.10			

\$1,080,000 5.00% 2007 Series B-1A Term Bonds due October 1, 2022, to yield 5.05%
 \$320,000 5.05% 2007 Series B-1A Term Bonds due October 1, 2022
\$900,000 5.20% 2007 Series B-1A Term Bonds due October 1, 2027, to yield 5.25%
 \$1,055,000 5.25% 2007 Series B-1A Term Bonds due October 1, 2027
 \$6,160,000 5.40% 2007 Series B-1A Term Bonds due October 1, 2037
\$14,890,000 5.50% 2007 Series B-1A Term Bonds due October 1, 2049, to yield 5.55%

Price of 2007 Series B-1A Term Bonds maturing on October 1, 2022
and bearing interest at a rate of 5.00%: 99.475%

Price of 2007 Series B-1A Term Bonds maturing on October 1, 2027
and bearing interest at a rate of 5.20%: 99.381%

Price of 2007 Series B-1A Term Bonds maturing on October 1, 2049: 99.181%

Price of all other 2007 Series B-1A Bonds: 100%

2007 Series B-1B (AMT)

\$19,270,000 2007 Series B-1B Variable Rate Demand Bonds due October 1, 2038

Price of all 2007 Series B-1B Bonds: 100%

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the 2007 Series B Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by Rhode Island Housing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the 2007 Series B Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by Rhode Island Housing and obtained from other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Rhode Island Housing since the date hereof. The 2007 Series B Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the cover page, and such public offering prices may be changed from time to time by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Other than with respect to information concerning Financial Security Assurance Inc. (“FSA”) contained under the caption “**MUNICIPAL BOND INSURANCE AND FSA**” and “**APPENDIX H—Specimen Municipal Bond Insurance Policy**” herein, none of the information in this Official Statement has been supplied or verified by FSA and FSA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2007 Series B Bonds; or (iii) the tax exempt status of the interest on the 2007 Series B-1A Bonds and 2007 Series B-1B Bonds.

THE 2007 SERIES B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

IN CONNECTION WITH THE OFFERING OF THE 2007 SERIES B BONDS, THE UNDERWRITERS MAY OVER-ALLOT AND EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2007 SERIES B BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$45,560,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION HOUSING BONDS

2007 Series B-1A (AMT) (Fixed Rate Bonds) 2007 Series B-1B (AMT) (Variable Rate Demand Bonds) (RENTAL HOUSING PROGRAM)

This Official Statement sets forth certain information concerning the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) in connection with the issuance of its \$26,290,000 Housing Bonds, 2007 Series B-1A (AMT) (Rental Housing Program) (the “2007 Series B-1A Bonds”) and its \$19,270,000 Housing Bonds, 2007 Series B-1B (AMT) (Rental Housing Program) (the “2007 Series B-1B Bonds” and, together with the 2007 Series B-1A Bonds, the “2007 Series B Bonds”). The 2007 Series B-1A Bonds are also herein referred to as the “Fixed Rate Bonds” and the 2007 Series B-1B Bonds are also referred to as the “Variable Rate Demand Bonds.”

Rhode Island Housing is a public corporation and an instrumentality and agency of the State of Rhode Island and Providence Plantations (the “State”), created by the Rhode Island Housing and Mortgage Finance Corporation Act, constituting Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended and supplemented (the “Act”). The 2007 Series B Bonds are being issued pursuant to the Act, the General Housing Program Bond Resolution, adopted on August 17, 1988 (the “General Resolution”), and the Housing Program Bond Supplemental Resolution, adopted on October 18, 2007 (the “Supplemental Resolution”). The General Resolution and the Supplemental Resolution are collectively referred to herein as the “Resolution.”

The General Resolution authorizes Rhode Island Housing to issue and secure Bonds for the purposes of financing its operations relating to housing pursuant to the Act. The 2007 Series B Bonds, the presently outstanding (as of June 30, 2007) Rental Housing Program Bonds in an aggregate principal amount of \$271,269,709 previously issued under the General Resolution and any Rental Housing Program Bonds hereafter issued (collectively, the “Bonds”) are equally and ratably secured by a pledge of the Mortgage Loans, the Revenues derived from the Mortgage Loans financed by the Bonds and other moneys or property pledged therefore under the General Resolution.

Rhode Island Housing has financed eighty-four rental housing developments under the General Resolution, of which sixty-nine currently continue to be financed under the General Resolution (the “Prior Developments”) and is in the process of reviewing several additional rental housing developments for financing under the General Resolution. The proceeds of the 2007 Series B Bonds are expected to be used to fund the financing of qualified mortgage loans for the acquisition and rehabilitation or development of five (5) rental housing developments for low and moderate income persons and families (the “2007 Series B Developments”). For a description of the 2007 Series B Developments, see “**PLAN OF FINANCING**” and “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**” For a description of the developments previously financed with proceeds of prior issues of Bonds (the “Prior Developments”), see “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**” The 2007 Series B Developments and the Prior Developments are referred to herein as the “Developments.” The Mortgage Loans financed with the proceeds of the 2007 Series B Bonds are referred to herein, collectively, as the “2007 Series B Mortgage Loans.”

All of the Prior Developments other than Melrose Apartments, Mapleroot Village, Newport Heights 2A, Ramblewood Village, St. Ann’s and Williams Wood Place receive rental assistance payments under either the federal Section 8 program or the Rhode Island Rental Assistance Program (the “Assistance Program”). All of the 2007 Series B Developments will also receive such payments. Under the Section 8 program, HUD provides housing assistance payments to or for the account of the owners of developments assisted under such program (the “Section 8 Developments”). The housing assistance

payments represent the difference between the total contract rents for such units and the eligible tenants' rental payments, which are 30% of each such tenant's income. The contract rents, as adjusted from time to time by HUD to reflect changing economic conditions (including increases in operating and maintenance costs) but subject to the limitations of the Section 8 program, together with the tenant's rental payments, are used to pay debt service on the related Mortgage Loan and operating costs for the related Section 8 Development. Section 8 subsidy payments, which are paid directly to Rhode Island Housing and are pledged as security for Bonds, are subject to suspension under certain circumstances including vacancy of a subsidized unit. Such reduction or suspension is dependent upon the length of time of the vacancy. See "**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**"

The Section 8 subsidy payments are funded by HUD pursuant to Section 8 of the United States Housing Act of 1937, as amended (the "Housing Act"), through its obligations under certain Annual Contributions Contracts (the "ACCs") with Rhode Island Housing and certain Housing Assistance Payments Contracts (the "HAP Contracts") between Rhode Island Housing and Development owners relating to the Section 8 Developments. The maximum terms of the HAP Contracts relating to the Section 8 Developments, including the initial terms and all permitted renewals, were 25 and 26 years, as applicable, with renewals in terms of five years. See "**APPENDIX A— DESCRIPTION OF THE DEVELOPMENTS.**" The full faith and credit of the United States is pledged to the payment of annual contributions pursuant to the ACCs. The 2007 Series B Bonds are not to be construed as a debt or indebtedness of HUD or the United States and payment of the 2007 Series B Bonds is not guaranteed by the United States.

Under the Assistance Program, the Executive Department of the State (the "Department") enters into contracts with project owners for terms not exceeding 20 years under which the Department agrees to make rental assistance payments to such owners for each assisted unit in the Development actually occupied by low-income tenants and the owner agrees that the assisted units will remain available for occupancy by low-income tenants in perpetuity, or until the Department determines that the units may be otherwise utilized. Monthly rental assistance payments under the Assistance Program are equal to the difference between an amount equal to 30% of the tenants' adjusted income and an amount equal to the sum of (a) the fair market rent for the assisted unit plus (b) a utility allowance determined by the Department. Rhode Island Housing currently administers the Assistance Program on behalf of the Department and has funded all or a portion of the State's obligations for rental subsidy payments under the Assistance Program for most years since fiscal year 1990. See "**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**"

It is anticipated that all of the first Mortgage Loans made to finance the 2007 Series B Developments other than The Meadows will be insured by the Federal Housing Administration ("FHA") under its risk sharing program. The risk sharing program, established under Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk Sharing Act"), allows state and local housing finance agencies that have entered into risk sharing agreements with the United States Department of Housing and Urban Development ("HUD") to carry out certain HUD functions in connection with the origination of FHA insured mortgage loans, including, without limitation, assumption of loan underwriting, loan management and property disposition. Under the risk sharing agreement, the state or local housing finance agency must agree to reimburse HUD for a portion of the losses from any defaults that occur while the contract of mortgage insurance is in effect. See "**APPENDIX E— FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**"

Under various construction and regulatory agreements, Rhode Island Housing will oversee the rehabilitation and management of the 2007 Series B Developments. See "**RENTAL HOUSING PROGRAM.**" In accordance with the Code, certain low and moderate income rental requirements will be imposed on the 2007 Series B Developments being funded with proceeds of the 2007 Series B Bonds which must be met in order for interest on the 2007 Series B Bonds to be excluded from the gross income of the holders thereof for federal income tax purposes. See "**TAX MATTERS.**" Failure to meet such

requirements could result in all interest accruing on the 2007 Series B Bonds since their date of issue becoming subject to federal income tax.

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

The scheduled payment of principal of and interest on the 2007 Series B Bonds when due will be insured by a financial guaranty insurance policy to be provided by Financial Security Assurance Inc. (“FSA”) simultaneously with the delivery of the 2007 Series B Bonds. See “**MUNICIPAL BOND INSURANCE AND FSA.**” As long as FSA is not in default with respect to its payment obligations under the related insurance policy, FSA shall be deemed to be the exclusive owner of the 2007 Series B Bonds for the purpose of all approvals, consents, waivers or the institution of any action and the direction of all remedies with respect to such 2007 Series B Bonds. FSA shall also have the right to approve the provider of Cash Equivalents with respect to deposits in the Mortgage Reserve Account and the Capital Reserve Account, and may limit the investment of funds allocable to the 2007 Series B Bonds to certain Investment Securities.

Following is a brief description of Rhode Island Housing and the financing provided by the 2007 Series B Bonds, together with summaries of the terms of the 2007 Series B Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be comprehensive, and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from Rhode Island Housing. Certain words and terms used herein and in the Resolution have the meanings set forth in APPENDIX D attached hereto.

RHODE ISLAND HOUSING

General

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

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

Commissioners of Rhode Island Housing

The powers of Rhode Island Housing are vested in seven commissioners, consisting of the Director of the Department of Administration, the General Treasurer, the Director of Business Regulation, or the designees thereof, and four members appointed by the Governor with the advice and consent of the State Senate, who among them are to be experienced in all aspects of housing design, development, finance, management and state and municipal finance. One commissioner position currently is vacant. The appointed commissioners serve for terms of four years and until they are reappointed or their respective successors are appointed and qualified. The Chairman is designated by the Governor; the Vice

Chairman and Treasurer are elected by the members from among their number. The commissioners do not receive compensation. Meetings are held at the call of the Chairman or whenever two commissioners so request. Four commissioners constitute a quorum, and any action taken by Rhode Island Housing may be authorized by a resolution approved by a majority but not less than three of the commissioners. The Act provides that if any commissioner of Rhode Island Housing is a director, officer or employee of, or has an ownership interest in any entity interested directly or indirectly in a contract with Rhode Island Housing, such commissioner must disclose such interest to Rhode Island Housing and shall not participate in the authorization of any such contract.

The present commissioners of Rhode Island Housing are:

Anthony J. Marouchoc, Chairman. Mr. Marouchoc was appointed Chairman of the Board of Commissioners for a term beginning on April 7, 2003. Mr. Marouchoc is President of Cleanscape Inc. and Executive Director of South Providence Development Corporation. Prior to that, Mr. Marouchoc was Regional Vice President of the New England Pacific Mortgage Company and Senior Vice President, Group Head, Retail Lending Group at Old Stone Bank. Mr. Marouchoc is Vice Chairman of the Urban League of Rhode Island, serves on the Board of Directors of House of Hope and is a member of the Rhode Island Association of Realtors, the Greater Providence Board of Realtors and the Rhode Island Mortgage Bankers Association. He is a Vietnam-era veteran of the U.S. Navy, retiring as a Commander in the Naval Reserve. His term expires on July 1, 2010.

Denise A. Barge, Vice Chair. Ms. Barge was appointed to the Board of Commissioners on April 4, 2001. She is Executive Director of the Minority Investment Development Corporation and the Rhode Island Coalition for Minority Investment. Prior to joining the MIDC and RICMI in April 1999, Ms. Barge was an Assistant Vice President and Community Development Officer for BankBoston. She previously held a number of executive positions in banking with BankBoston Hospital Trust Bank and Fleet Bank. Ms. Barge serves on the boards of the Greater Providence Chamber of Commerce, RI Coalition Against Domestic Violence, South Providence Development Corp. and the Rhode Island Commission on Women. She is a graduate of the University of California at Los Angeles. Her term expires on July 1, 2008.

Perry R. Clough. Mr. Clough was appointed to the Board of Commissioners on April 25, 2007. He has broad experience at three Fortune 500 firms, having held positions of increasing responsibility at Eastman Kodak, Johnson & Johnson and C.R. Bard. He currently serves as President of P.C. Rankin Investments, President of Greenwich Associates and Vice Chairman of the Board of Walch Publishing. Mr. Clough has led both new venture and mature businesses and has extensive experience as a Marketing executive with concentration in the areas of advertising, management systems and strategic planning. He has served as a Director of the Providence Interfaith Counseling Center. Mr. Clough is a graduate of the University of Maine with a Bachelor of Arts in Business and Economics. His term expires on July 1, 2009.

A. Michael Marques. Mr. Marques was appointed to the Board of Commissioners on January 4, 2005. He is the Director of the state Department of Business Regulation. Prior to his appointment, Mr. Marques was Senior Vice President/Market Manager of First Trade Union Bank, a Federal Savings Bank. He began his career with Old Stone Bank, where he spent 18 years in increasingly senior positions, which culminated in his appointment as Executive Vice President and Chairman of the Credit Policy Committee. Mr. Marques holds a Bachelor of Science degree from Suffolk University and is a veteran of the U.S. Air Force, where he attained the rank of Captain.

Jose V. Monteiro, Jr. Mr. Monteiro was appointed to the Board of Commissioners on May 7, 2004. He is Senior Vice President of Bank of America's Community Development – Program Related Investments. Prior to joining Bank of America's predecessor, Fleet Bank, in 1999, Mr. Monteiro was Vice President of BankBoston Development Co. He is a former Project Director for The Providence Plan's Enterprise Community program and held various management positions with a number of commercial

lending institutions. Mr. Monteiro is a graduate of Rhode Island College. His term expired on July 1, 2007.

Beverly E. Najarian. Ms. Najarian joined Rhode Island Housing on December 15, 2003, upon her appointment as Director of the state Department of Administration. Previously she had been Director of Administrative Services in the Office of Gov. Donald L. Carcieri. Prior to joining state service in 2003, she spent 20 years in senior executive positions in retail banking with Old Stone Bank and Bank RI. Ms. Najarian is a Past President of the Board of Cranston ARC, was a member of the Board of Leadership RI and is a Past President of the National Association of Bank Women.

Frank T. Caprio. Mr. Caprio joined the Board of January 2, 2007, upon being sworn in as General Treasurer of the State of Rhode Island. Prior to becoming General Treasurer, he was a partner with the Providence law firm of Caprio & Caprio, focusing on corporate, tax and finance matters. Mr. Caprio represented Providence in the General Assembly from 1991 to 2007, first as a member of the House and, beginning in 1995, in the State Senate, where he chaired the Finance Committee and the Commerce, Housing and Municipal Government Committee. He is a graduate of Harvard University and Suffolk University Law School. Mr. Caprio is member of both the federal bar and the state bars of Rhode Island and Massachusetts.

Staff

The corporate staff, under the direction of the Executive Director, includes professionals and staff members working in Rhode Island Housing's four departments: homeownership opportunity, housing management, housing policy and development and staff operations.

Senior professional staff members of Rhode Island Housing include the following:

Richard H. Godfrey, Jr. – Executive Director. Mr. Godfrey has served as Executive Director of Rhode Island Housing since November 1, 1993. Prior to his appointment, he was a partner in the law firm of Hannoeh Weisman from 1990 to 1993 and the law firm of Hawkins, Delafield & Wood from 1988 to 1990, specializing in financial and urban development matters. Mr. Godfrey served as the Deputy Treasurer and Executive Director of the Department of the Treasury of the State of New Jersey from 1986 to 1988, and held a number of positions at the New Jersey Housing and Mortgage Finance Agency from 1978 through 1986, including Acting Executive Director and Deputy Director. Mr. Godfrey holds a Bachelor of Arts in Architecture and Urban Planning from Princeton University and a Juris Doctor from Seton Hall University.

Susan Bodington – Deputy Director – Programs. Ms. Bodington joined Rhode Island Housing in 1991 and served as the HOME Program Coordinator from 1992 to 1993. She then served as Assistant Director for Housing Policy until her appointment as Director in 1998. She was appointed Deputy Director – Programs in September, 2003. Prior to joining Rhode Island Housing, Ms. Bodington was Community Development Programs Manager for the State of Rhode Island from 1985 to 1991 and previously held planning and community development positions with the Cities of Providence and East Providence. Ms. Bodington holds a Bachelor of Arts degree from Smith College in Economics.

John H. Gordon – Director of Housing Management. Mr. Gordon joined Rhode Island Housing in August, 1977 as its Chief Housing Management Officer. Prior to his employment with Rhode Island Housing, Mr. Gordon was the property manager for federally assisted multifamily developments in the Providence area. He holds the designation of Certified Property Manager from the Institute of Real Estate Management and received a Bachelor of Science degree in Business Management from Johnson & Wales College.

Richard G. Hartley – Treasurer. Mr. Hartley joined Rhode Island Housing in November, 1995 as Assistant Treasurer. He was appointed Portfolio Manager in July, 2000 and Treasurer in April, 2005. From 1976 to 1995, Mr. Hartley held positions in the Commercial Lending, Finance and Treasurer's

Groups at Old Stone Bank, Providence, Rhode Island. Since 1988 he served as Vice President and Manager of the Bank's Asset/Liability Department. Mr. Hartley received a Master of Business Administration degree and a Bachelor of Arts degree from the University of Rhode Island.

Thomas F. Hogg – Deputy Director – Finance. Mr. Hogg joined Rhode Island Housing in October, 1994 as the Director of Staff Operations. He became Deputy Director–Finance of Rhode Island Housing in April, 1998. Prior to his appointment, he was Vice President and Treasurer of RIAC, Inc., a company that raised private capital for the purpose of purchasing financial institutions from the Resolution Trust Corporation. From 1970 to 1993, Mr. Hogg held a variety of positions at Old Stone Corporation, a financial services company, including Executive Vice President of Finance. Mr. Hogg holds a Bachelor of Arts degree in Economics/Engineering from Brown University and a Master of Business Administration degree from the University of Rhode Island.

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

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

Michael V. Milito – Deputy Assistant Director – Law and Human Resources. Mr. Milito joined Rhode Island Housing in July, 1998 as Rhode Island Housing Counsel, and was appointed Deputy Assistant Director–Law and Human Resources in July, 2000. Prior to joining Rhode Island Housing, Mr. Milito was a consultant engaged in affordable housing development from 1996 through 1998. From 1994 through 1996, Mr. Milito was the Community Reinvestment Manager for Citizens Bank of Rhode Island, a financial services company in Providence, Rhode Island. From 1989 through 1994, Mr. Milito was engaged in affordable housing development on behalf of nonprofit organizations in Rhode Island. Mr. Milito was a staff attorney in the housing unit with Rhode Island Legal Services from 1982 to 1989. Mr. Milito received a Bachelor of Arts degree from Le Moyne College and a Juris Doctor from Northeastern University School of Law.

Cathleen A. Paniccia – Director of Homeownership Opportunity Programs. Mrs. Paniccia joined Rhode Island Housing in June, 1995 as its Director of Homeownership Opportunity Programs. Prior to her appointment, she was Senior Vice President at Old Stone Bank, Providence, RI, and responsible for Old Stone's Residential Mortgage Department from 1990 to 1995. Between 1986 and 1990, she served as Vice President/Resident Mortgage Production Manager at Old Stone Bank. Between 1976 and 1986 she held various positions with the residential lending areas of Old Stone Bank, Rhode Island Federal Savings and Loan, Rhode Island Hospital Trust National Bank and Mercury Savings and Loan Association. Mrs. Paniccia serves on the Board of the Urban League of Rhode Island. She served as a member of the RI Bankers Mortgage Committee from 1985 to 1992 and served on the Board of Elmwood Neighborhood Housing from 1990 to 1993.

Amy D. Rainone – Director of Policy. Ms. Rainone was appointed Director of Policy in December 2006. She joined Rhode Island Housing in August of 2000 as Policy and Planning Manager and was appointed Assistant Director for the Policy Division in 2005. Prior to joining Rhode Island Housing, Ms. Rainone served as the Project Coordinator for U.S. Senator Patrick Leahy covering

housing, community development, and appropriations issues for the Senator. Ms. Rainone received a Bachelors degree in Government from Dartmouth College in 1991.

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

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

Other Programs of Rhode Island Housing

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

Rhode Island Housing has issued bonds under a single family program to finance the purchase of single family mortgage loans. As of June 30, 2007, Rhode Island Housing had approximately \$1,103,448,693 of such single family housing bonds outstanding.

In addition to the Rental Housing Program, Rhode Island Housing has two additional programs to assist in making multifamily housing available for occupancy by persons and families of low and moderate income. As June 30, 2007, Rhode Island Housing had approximately \$92,205,472 of such multifamily housing bonds outstanding, excluding the Bonds issued under the Rental Housing Program.

PLAN OF FINANCING

The 2007 Series B Bonds are being issued to (i) provide funds for the financing of the acquisition and rehabilitation or development of the 2007 Series B Developments listed below, (ii) make a deposit to the Mortgage Reserve Account, (iii) make a deposit to the Capital Reserve Account and (iv) pay costs of issuance. Proceeds of the 2007 Series B Bonds not used for the developments described below may be used to fund other similar projects at the direction of Rhode Island Housing.

2007 Series B Developments

The following 2007 Series B Developments are expected to be financed with the proceeds of the 2007 Series B Bonds:

Bridgham Manor Apartments: Bridgham Manor Apartments (“Bridgham Manor”) is an existing 88-unit elderly development located in Providence. Developed in 1983, Bridgham Manor contains 76 one-bedroom units and 12 two-bedroom units. The proceeds of the Mortgage Loan in the amount of \$4,750,000 will be used for acquisition and rehabilitation of the development, of which \$273,000 is expected to be repaid to Rhode Island Housing at the completion of construction. The remaining portion of the loan will be in the form of a first Mortgage Loan in the amount of \$4,477,000. Bridgham Manor receives rental subsidies under the Section 8 program pursuant to a HAP Contract which is scheduled expire in January, 2010. The new ownership entity has advised Rhode Island Housing that it will apply for a HAP Contract renewal when the current contract expires.

Heritage Village Apartments: Heritage Village Apartments (“Heritage Village”) is composed of two adjacent developments located in North Kingstown that will be combined into

one development. Heritage Village I is a 100-unit elderly development, originally developed in 1979, consisting of three buildings. Heritage Village I comprised of 90 one-bedroom units and 10 two-bedroom units. Heritage Village II is an existing 104-unit family development, originally developed in 1980, consisting of four buildings. Heritage Village II is comprised of 32 one-bedroom units, 60 two-bedroom units and 12 three-bedroom units. The proceeds of Mortgage Loans in the amount of \$15,100,000 will be used for acquisition and rehabilitation of the development; loan proceeds will be in the form of a First Mortgage in the amount of \$14,800,000 and a Second Mortgage in the amount of \$300,000. Both developments receive rental subsidies under the Section 8 program pursuant to HAP Contracts. Heritage Village I has an existing HAP Contract scheduled to expire in August, 2010, and Heritage Village II has an existing HAP Contract scheduled to expire in May, 2011. The owner has applied for new 20 year HAP Contracts.

Fieldstone Apartments: Fieldstone Apartments (“Fieldstone Apartments”) is a 24 unit family development located in Narragansett. Developed in 1970, Fieldstone Apartments consists of four separate two-story buildings with six two-bedroom units per building. The proceeds of the Mortgage Loan in the amount of \$4,400,000 will be used for the acquisition and rehabilitation of the development. Upon completion of construction, \$2,299,560 is expected to be repaid to Rhode Island Housing and the remaining portion of the loan will be in the form of a Mortgage Loan in the amount of \$2,100,440. Fieldstone Apartments receives rental subsidies under the Section 8 program pursuant to a HAP Contract effective September, 2007, and the owner has advised Rhode Island Housing that it expects that it will soon receive a long term HAP Contract scheduled to expire in October, 2027.

Parkis Place Apartments: Parkis Place Apartments (“Parkis Place”) is an 108 unit elderly development located in Providence. Developed in 1973, Parkis Place consists of one 10-story building with 72 efficiency units and 36 one-bedroom units. The proceeds of the Mortgage Loans in the amount of \$4,713,500 will be used for acquisition and rehabilitation of the development. Upon completion of construction, \$500,000 is expected to be repaid to Rhode Island Housing and the remaining portion of the loan will be in the form of a First Mortgage in the amount of \$3,800,000 and a Second Mortgage in the amount of \$413,500. Parkis Place receives rental subsidies under the Section 8 program pursuant to a HAP contract scheduled to expire in June, 2009. The owner has advised Rhode Island Housing that it expects to apply for a long term HAP Contract when the current contract expires.

The Meadows: The Meadows (“The Meadows”) is an 80-unit elderly housing development located in North Smithfield. This development is currently under construction and will be financed with a \$16,000,000 construction loan from Rhode Island Housing which will be used for acquisition and construction costs and will be paid off in its entirety at the completion of construction. The Meadows will consist of 1 building which houses 72 one-bedroom units and 8 two-bedroom units. Upon completion, The Meadows will receive HUD 202 rental subsidies for 53 units and the remaining 27 units are qualified as Low Income Housing Tax Credit units.

With the exception of the construction loans for Bridgham Manor, Fieldstone Apartments, Parkis Place and The Meadows, the 2007 Series B Bonds and each of the first Mortgage Loans expected to be financed with the proceeds of the 2007 Series B Bonds are structured with up to 40 year amortization of principal; the second Mortgage Loans for Heritage Village Apartments and Parkis Place expected to be financed with proceeds of the 2007 Series B Bonds are respectively structured with 20 and 5.8 year amortizations of principal. Additionally, the 2007 Series B Developments of Bridgham Manor, Fieldstone Apartments, Parkis Place and The Meadows each have a bridge loan component that will be repaid at the completion of construction and a receipt of tax credit equity (see discussion of Tax Credits in “—**Additional Information**” below), with the remainder of each such loans structured with up to 40 year amortization of principal.

While the current expectation is to fund the above described developments with proceeds of the 2007 Series B Bonds, Rhode Island Housing reserves the right to fund alternative developments other than those listed above (“Alternate Developments”) with proceeds of the 2007 Series B Bonds. See “APPENDIX A” hereto for more information regarding the Alternate Developments.

Additional Information

Three of the 2007 Series B Developments previously received financing from Rhode Island Housing, including two under the general resolutions adopted in connection with Rhode Island Housing’s Multi-Family Housing Bond Program (Bridgham Manor, and Fieldstone Apartments) and one under the general resolutions adopted in connection with Rhode Island Housing’s Housing Bonds (Rental Housing Program) (Heritage Village); however, as of June 30, 2007, there were outstanding bond balances attributable only to Bridgham Manor and Heritage Village and such outstanding balances are expected to be called for redemption. See “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS**” for additional information regarding the 2007 Series B Developments.

All of 2007 Series B Developments other than The Meadows, which is new construction, are being financed pursuant to Rhode Island Housing’s Preservation Program. The Preservation Program provides rules and guidelines under which sponsors may purchase, refinance or prepay housing developments financed by Rhode Island Housing. The Preservation Program requires applicants to: (a) undertake a capital needs assessment of the related development, (b) provide for the physical needs of the development as set forth in the capital needs assessment and (c) recapitalize the development’s reserves according to guidelines established by Rhode Island Housing.

The owners of the 2007 Series B Developments will each enter into a Regulatory Agreement with respect to the related Development under which each owner covenants that subsequent to the expiration of any Housing Assistance Payment Contract, all of the units in the related development will be restricted to individuals earning not more than 60% of area median income (as adjusted for household size) (the “Median Family Income”). In the event that project based rental assistance is made available to the owners of 2007 Series B Developments financed under the Preservation Program, during the term of their respective Regulatory Agreement, the related owner shall, to the extent economically feasible, endeavor to lease at least forty percent (40%) of the units to tenants with aggregate family income not in excess of forty percent (40%) of the Median Family Income. Notwithstanding the foregoing, all of the 2007 Series B Developments (other than Fieldstone Apartments and a portion of Heritage Village) are to be occupied exclusively by disabled tenants or tenants of age 62 or older (each an “Elder Development”), and may admit tenants with incomes up to eighty percent (80%) of Median Family Income subject to the income limitations imposed by the Code (see “**TAX MATTERS**”); and provided, however, that to the extent an Elder Development has received low-income housing tax credits as described below, the occupancy restrictions mandated by the tax credit program shall govern. Subsequent to the expiration of any Housing Assistance Payment Contract, tenant contribution of rental charges for each unit, including utility payments, may not exceed the maximum tenant contribution in effect for the tax credit program below.

In addition, all of the 2007 Series B Developments have been awarded low income housing tax credits (“Tax Credits”). It is anticipated that such Tax Credits will be syndicated by the related developer resulting in an equity contribution with respect to the related 2007 Series B Development. In connection with the use of Tax Credits, restrictive covenant agreements will be executed with respect to each development receiving such Tax Credits which will require that either (i) 20% of the units must be rented to persons earning 50% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 50% of area median income (after adjusting for utility provisions and family size); or (ii) 40% of the units must be rented to persons earning 60% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 60% of area median income (after adjusting for utility provisions and family size). The rent and income restrictions of the Preservation Program and the Tax Credit program are co-extensive; satisfaction of the Preservation Program requirements for developments will result in compliance with the Tax Credit requirements and the income

and rental restrictions which must be met with respect to each 2007 Series B Development in connection with the 2007 Series B Bonds. See “**TAX MATTERS**” herein.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds from the sale of the 2007 Series B Bonds and a contribution from Rhode Island Housing are as follows:

Sources of Funds:	
Principal Amount of 2007 Series B Bonds	\$45,560,000.00
Original Issue Discount	(133,190.10)
Rhode Island Housing Contribution	<u>520,254.10</u>
Total Sources	\$45,947,064.00
Uses of Funds:	
Deposit to Bond Proceeds Account	\$44,963,500.00
Deposit to Mortgage Reserve Account	449,000.00
Underwriters’ Fee	295,504.00
Other Costs of Issuance	<u>239,060.00</u>
Total Uses	\$45,947,064.00

SECURITY FOR THE BONDS

Pledge of the Resolution

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

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

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

Mortgage Reserve Account

There are to be deposited in the Mortgage Reserve Account all amounts required to be deposited therein pursuant to each Supplemental Resolution and any other amounts available therefor and determined by Rhode Island Housing to be deposited therein. Such deposit will be made either in the form of (a) a cash deposit of proceeds of a series of Bonds or amounts available under the Resolution or (b) Cash Equivalents. As of June 30, 2007, the Mortgage Reserve Account Requirement was approximately \$2,444,283 and the aggregate amount on deposit therein was approximately \$2,555,221.

If on any Interest Payment Date or Redemption Date, the amount in the Redemption Account, if applicable, and the Revenue Account shall be less than the amount required for the payment of the principal or Redemption Price and interest due on the Bonds to be paid or redeemed on such date, the Trustee shall apply amounts from the Mortgage Reserve Account to the extent necessary to make good the deficiency. At any time, the Trustee shall transfer moneys from the Mortgage Reserve Account to Rhode Island Housing in the amount stated in the Certificate of an Authorized Officer as necessary for the payment of expenses incurred by Rhode Island Housing in connection with protection of the interest of Rhode Island Housing in a Mortgage Loan or the ownership, repair, improvement and disposition of property financed by a Mortgage Loan, but in the case of repair or improvement only if the cumulative amount so transferred with respect to any acquired property shall not be in excess of the amount of estimated increase in market value of such property as determined in such Certificate or the amount necessary, in the judgment of Rhode Island Housing, to maintain Rhode Island Housing's rights to obtain insurance proceeds, if any. Amounts in the Mortgage Reserve Account in excess of the Mortgage Reserve Account Requirement shall, upon receipt by the Trustee of the written instructions of an Authorized Officer determining to withdraw such amount, be paid to and deposited in the Revenue Account.

The Mortgage Reserve Account Requirement for the 2007 Series B Bonds is equal to one percent of the aggregate principal amount of the 2007 Series B Mortgage Loans less the portion of such amount allocable to the principal amount of 2007 Series B Bonds purchased or redeemed prior to maturity. The Mortgage Reserve Account Requirement for other Series of Bonds, if any, shall be set forth in the Supplemental Resolution authorizing such Bonds. For purposes of determining whether the Mortgage Reserve Account Requirement has been met, the amount in the Mortgage Reserve Account shall be deemed to include any amount payable thereunder on the demand of the Trustee without material conditions.

Capital Reserve Account

There will be deposited in the Capital Reserve Account, as of any date of calculation, an amount equal to the greater of the Aggregate Debt Service for the then current or (if greater) any future Fiscal Year or the amount specified for such requirement in the Certificate of an Authorized Officer delivered in connection with the delivery of any Bonds which remain Outstanding, and any other amounts received and determined to be deposited therein by Rhode Island Housing. If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Account, the Redemption Account, if applicable, and the Mortgage Reserve Account shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Capital Reserve Account to the extent necessary to make good the deficiency. If, concurrently with payments or allocation from the Revenue Account in connection with the Bonds, the amount on deposit in the Capital Reserve Account is in excess of the Capital Reserve Account Requirement, the Trustee is required to immediately transfer the amount of such excess to the Revenue Account, but only to the extent necessary to meet the payments required to be made from the Revenue Account. Whenever the amount in the Capital Reserve Account, together with the amount in the Revenue Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Account shall be transferred to the Capital Reserve Account. Prior to said transfer, all Bonds constituting a part of the Revenue Account shall be deemed paid and cancelled.

Pursuant to the Act, the Chairman of Rhode Island Housing is required to annually, on or before December 1 of each year, deliver to the Governor a certificate stating the amount, if any, needed to restore the Capital Reserve Account to its required level. The Governor is to include the amount necessary to restore the account to its required level in his budget submitted to the General Assembly in the January session. All sums appropriated by the General Assembly, if any, and paid to Rhode Island Housing pursuant to said appropriation are required to be deposited in the Capital Reserve Account; however, the General Assembly is not required to restore any such deficiency in the Capital Reserve Account.

Subject to any limitation in the Act, a Supplemental Resolution may provide that the Capital Reserve Account Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. It is anticipated that Rhode Island Housing will fund the Capital Reserve Requirement relating to the 2007 Series B Bonds with a surety bond to be provided by FSA.

Additional Bonds

Additional Series of Bonds may be issued as provided in the General Resolution on a parity with the Bonds and secured by an equal charge and lien on the revenues and assets pledged under the General Resolution and payable equally therefrom, but no Series of Bonds may be issued if the principal amount of all Bonds issued or to be issued will exceed any limitation imposed by law nor if, upon the issuance and delivery of such Bonds, the amount credited to the Capital Reserve Account will be less than the Capital Reserve Account Requirement or the amount credited to the Mortgage Reserve Account will be less than the Mortgage Reserve Account Requirement specified in the Supplemental Resolution authorizing such Bonds. See **“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Provisions for Issuance of Bonds, Provisions for Refunding Issues.”**

MUNICIPAL BOND INSURANCE AND FSA

FSA has supplied the following information for inclusion in this Official Statement. No representation is made by Rhode Island Housing or the Underwriters as to the accuracy or completeness of this information. Reference is made to **APPENDIX H** for a specimen of FSA’s Policy.

Payments Under the Bond Insurance Policy

Concurrently with the issuance of the 2007 Series B Bonds, Financial Security Assurance Inc. (“FSA”) will issue its Municipal Bond Insurance Policy for the 2007 Series B Bonds (the “Policy”). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the 2007 Series B Bonds when due as set forth in the form of the Bond Insurance Policy included as **“APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY”** of this Official Statement.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

FSA is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or FSA is liable for the obligations of FSA.

At September 30, 2007, FSA’s combined policyholders’ surplus and contingency reserves were approximately \$2,691,965,000 and its total net unearned premium reserve was approximately \$2,201,808,000 in accordance with statutory accounting principles. At September 30, 2007, FSA’s consolidated shareholder’s equity was approximately \$2,975,654,000 and its total net unearned premium reserve was approximately \$1,721,678,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of FSA included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2006 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of FSA included in, or as exhibits to, documents filed by Holdings pursuant to Section

13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the 2007 Series B Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Bond Insurance Policy does not protect investors against changes in market value of the 2007 Series B Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. FSA makes no representation regarding the 2007 Series B Bonds or the advisability of investing in the 2007 Series B Bonds. FSA makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that FSA has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

DESCRIPTION OF THE 2007 SERIES B BONDS

General

The Fixed Rate Bonds are being issued as fixed rate bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Fixed Rate Bonds will be dated and will bear interest from their date of delivery, at the rates set forth on the inside cover page hereof, payable on each April 1 and October 1 thereafter, commencing April 1, 2008. Calculations of interest on the Fixed Rate Bonds will be based on a 360-day year consisting of twelve 30-day months.

The Variable Rate Demand Bonds are being initially issued as variable rate demand bonds in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof while in a Variable Rate Period. The Variable Rate Demand Bonds will bear interest at the Weekly Rate until a Conversion Date. Except in the case of Bank-Owned Bonds (which shall bear interest at the Bank Rate), interest on the Variable Rate Demand Bonds bearing interest at the Weekly Rate shall be determined by the Remarketing Agent and shall be computed on the basis of a 365 day year or a 366 day year, as applicable, for the number of days actually elapsed. Interest on the Variable Rate Demand Bonds bearing interest at the Weekly Rate will accrue, and reflect the actual number of days, from the date of delivery thereof to, but excluding, April 1 and October 1, and will be payable in arrears on April 1, 2008, and to, but excluding, each April 1 and October 1 thereafter, payable on each such April 1 and October 1. The maximum interest rate on the Variable Rate Demand Bonds while in a Variable Rate Period is 12% per annum. The Initial Liquidity Facility will be available to fund the purchase of Variable Rate Demand Bonds which are tendered to the Tender Agent but not remarketed by the Remarketing Agreement. See “—**Tender of Variable Rate Demand Bonds for Purchase**” and “—**Initial Liquidity Facility**.”

Book-Entry Only System

When the 2007 Series B Bonds are issued, ownership interests will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company (“DTC”), New York, New York, or such other depository institution designated by the Agency pursuant to the Indenture. Purchasers of beneficial interests in the 2007 Series B Bonds will not receive certificates reflecting their interests in the 2007 Series B Bonds.

DTC will act as securities depository for the 2007 Series B Bonds. The 2007 Series B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2007 Series B Bond certificate will be issued for each maturity of the 2007 Series B Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal

Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing of U.S. and Non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC’s Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has S&P’s AAA rating. The DTC Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2007 Series B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Series B Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2007 Series B Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are 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 2007 Series B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Series B Bonds, except in the event that use of the book-entry system for the 2007 Series B Bonds is discontinued.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2007 SERIES B BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE 2007 SERIES B BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2007 SERIES B BONDS.

To facilitate subsequent transfers, all 2007 Series B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of 2007 Series B Bonds with DTC and their registration in the name of Cede & Co do not effect indirect change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Series B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2007 Series B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2007 Series B Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such 2007 Series B Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2007 Series B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Rhode Island Housing as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2007 Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2007 Series B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' upon DTC's receipt of funds and corresponding detail information from Rhode Island Housing or Agent, on payable date in accordance with their respective holdings shown on DTC's record. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bond Registrar, the Tender Agent or Rhode Island Housing, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to Cede & Co. (or such other nominees as may be requested by an authorized representative of DTC) is the responsibility of the Rhode Island Housing or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the 2007 Series B Bonds at any time by giving reasonable notice to Rhode Island Housing or the Trustee. Under such circumstances the event that a successor depository is not obtained, 2007 Series B Bond certificates are required to be printed and delivered. In the event such 2007 Series B Bond certificates are issued, the Beneficial Owner, upon registration of the 2007 Series B Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Resolution and the provisions of the Resolution shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the 2007 Series B Bonds. Rhode Island Housing may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Series B Bond certificates will be printed and delivered to DTC.

NEITHER RHODE ISLAND, NOR THE TRUSTEE, NOR THE BOND REGISTRAR, NOR THE TENDER AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2007 SERIES B BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE INDENTURE; (iv) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A

PARTIAL REDEMPTION OF THE 2007 SERIES B BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The information included under this caption (except for the fifth paragraph and the immediately preceding paragraph) concerning DTC and DTC's book-entry system has been obtained from sources Rhode Island housing believes to be reliable but no representation is made by Rhode Island Housing, the Underwriters or the Trustee as to the accuracy or adequacy thereof.

Variable Rate Demand Bonds

Determination of Interest Rate for Variable Rate Demand Bonds. The Weekly Rate for the Variable Rate Demand Bonds shall be determined on each Wednesday during any Variable Rate Period, and if such Wednesday is not a Business Day, then the Weekly Rate for the Variable Rate Demand Bonds shall be determined on the first Business Day preceeding such Wednesday (the "Rate Determination Date"). The first day of the Variable Rate Period shall always be a Thursday (the "Variable Rate Adjustment Date"). The Weekly Rate determined on the Rate Determination Date will be effective as of the following Variable Rate Adjustment Date. The Weekly Rate for the Variable Rate Demand Bonds shall be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Variable Rate Demand Bonds on the Variable Rate Adjustment Date being 100% of the principal amount thereof, and which shall not exceed the Maximum Interest Rate. Following the initial Weekly Rate, the Variable Rate Demand Bonds will bear interest, commencing on each Variable Rate Adjustment Date, at the rate determined by the Remarketing Agent on the Rate Determination Date for the new Variable Rate Period (except for the Bank-Owned Bonds which, in accordance with the Liquidity Facility, shall bear interest as provided therein).

The Remarketing Agent will establish each Weekly Rate by 4:00 p.m., New York City time, on each Rate Determination Date. The Remarketing Agent shall make the Weekly Rates available (i) after 4:00 p.m., New York City time, on the Rate Determination Date by telephone to any Bondholder or Notice Party requesting such rate and (ii) by Immediate Notice to the Trustee and Rhode Island Housing not later than 11:00 a.m., New York City time, the Business Day immediately succeeding each such Rate Determination Date.

In the event (a) the Remarketing Agent fails or is unable to determine the Weekly Rate for any Variable Rate Demand Bond or (b) the method by which the Remarketing Agent determines the Weekly Rate with respect to a Variable Rate Demand Bond shall be held to be unenforceable by a court of competent jurisdiction, each Variable Rate Demand Bond shall automatically bear interest during each subsequent Variable Rate Period reset on a weekly basis, at the lesser of (i) the SIFMA Index plus 0.25% or (ii) the Maximum Interest Rate until such time as the events described in clauses (a) or (b) are no longer applicable to such Variable Rate Demand Bond and the Remarketing Agent again make such determinations. In the case of clause (b) above, the Remarketing Agent shall again make such determination at such time as there is delivered to the Remarketing Agent and Rhode Island Housing an opinion of Bond Counsel to Rhode Island Housing to the effect that there are no longer any legal prohibitions against such determinations.

Remarketing. On each date on which Variable Rate Demand Bonds are required to be purchased, the Remarketing Agent is to use its best efforts to sell such Variable Rate Demand Bonds at a Weekly Rate (or, in the case of purchase upon a change in Variable Rate Period, an interest rate corresponding to the appropriate rate period) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the Variable Rate Demand Bonds so tendered while the Initial Liquidity Facility is in effect, the Bank will purchase such Variable Rate Demand Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent will not be required to remarket the Variable Rate Demand Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of a Termination Event under the Liquidity Facility and the Bank's termination of its commitment to purchase Variable Rate Demand Bonds thereunder or (iii) if the Bank breaches its obligation to purchase Variable Rate Demand Bonds

tendered and not remarketed. Rhode Island Housing will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered Variable Rate Demand Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances, that the Remarketing Agent may resign its duties by giving 30 days' written notice to Rhode Island Housing, and that Rhode Island Housing may remove the Remarketing Agent upon 30 days' written notice.

Conversions from Variable Rate Periods. At the option of Rhode Island Housing and with the consent of FSA, the Variable Rate Demand Bonds (in an amount which is an Authorized Denomination for the new Rate Period) may be converted on any Business Day from a Variable Rate Period to a Flexible Rate Period, a Term Rate Period, an Auction Period or a Fixed Rate Period.

This Official Statement does not describe the terms of the Variable Rate Demand Bonds after their conversion to a Flexible Rate, a Term Rate, an Auction Rate or a Fixed Rate.

Tender of Variable Rate Demand Bonds for Purchase

Tender at Option of Bondholder. The holders of Variable Rate Demand Bonds bearing interest at Weekly Rates may elect to have their Variable Rate Demand Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Purchase Price of such Variable Rate Demand Bonds (or portions thereof), on the Optional Tender Dates on any Business Day upon written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date. Each notice of tender: (i) shall, in the case of a written notice, be delivered to the Tender Agent at its designated corporate trust office and be in form satisfactory to the Tender Agent; (ii) shall state (A) the name and address of the registered owner, (B) the principal amount of the Variable Rate Demand Bonds being tendered, (C) the certificate number and CUSIP number of each Variable Rate Demand Bond being tendered and (D) the Purchase Price; and (iii) shall automatically constitute (A) an irrevocable offer to sell the Variable Rate Demand Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Purchase Price of such Variable Rate Demand Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Variable Rate Demand Bond (or portion thereof) upon payment of the Purchase Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Variable Rate Demand Bond to be purchased in whole or in part for other Variable Rate Demand Bonds in an equal aggregate principal amount so as to facilitate the sale of such Variable Rate Demand Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such Variable Rate Demand Bond (or portion thereof) upon payment of the Purchase Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such Bondholder to receive such Purchase Price upon surrender of such Variable Rate Demand Bond to the Tender Agent.

Mandatory Tender of Variable Rate Demand Bonds. The Variable Rate Demand Bonds are subject to mandatory tender for purchase: (a) on the date specified in a notice of mandatory tender in connection with the delivery by Rhode Island Housing to the Tender Agent of a Substitute Liquidity Facility (the "Substitution Date"), (b) upon termination of the Initial Liquidity Facility at the option of Rhode Island Housing if no Substitute Liquidity Facility has been provided to the Tender Agent, (c) on the Stated Expiration Date of the Initial Liquidity Facility if such Initial Liquidity Facility is not extended in accordance with its terms, (d) on any Conversion Date, and (e) pursuant to the Initial Liquidity Facility, on the date of a termination with notice by the Bank and on the occurrence of certain events of default prior to such termination (each a "Mandatory Tender Date"), in each case at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any. See "—Variable Rate Demand Bonds" and "—Initial Liquidity Facility—Events of Default Under the Initial Liquidity Facility and — Remedies Upon Occurrence of an Event of Default."

Notice of Mandatory Tender of Variable Rate Demand Bonds. The Trustee shall provide notice of mandatory tender (a “Mandatory Tender Notice”) to any Bondholder of Variable Rate Demand Bonds of any mandatory tender to which such Variable Rate Demand Bonds are subject. The Mandatory Tender Notice will be made by first class mail at least 15 days prior to the Mandatory Tender Date and the notice will identify the Variable Rate Demand Bonds to be tendered, the reason for the mandatory tender, the Purchase Price, the date the Variable Rate Demand Bonds will be tendered, the place and manner of payment, and that no further interest will accrue to the Bondholder on such Variable Rate Demand Bond after the Mandatory Tender Date. Any properly mailed Mandatory Tender Notice will be conclusively presumed to have been duly given, whether or not received by the Bondholder of a Variable Rate Demand Bond.

Rhode Island Housing Not Responsible for Bank’s Failure To Provide Money to Purchase Variable Rate Demand Bonds. The purchase price of Variable Rate Demand Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Variable Rate Demand Bonds or from the Initial Liquidity Facility. Rhode Island Housing is not responsible for any failure by the Bank to provide money to purchase Variable Rate Demand Bonds tendered at the option of the Bondholders or subject to mandatory tender for purchase. Failure to purchase a Variable Rate Demand Bond tendered at the option of the Bondholder or subject to mandatory tender for purchase, as described above and in accordance with the Resolution, does not constitute an Event of Default under the Resolution. In the event of a failure by the Bank to purchase any Variable Rate Demand Bonds tendered or deemed tendered for purchase by the Bondholders thereof, such Variable Rate Demand Bonds shall automatically bear interest with the interest rate reset on a weekly basis at the lesser of (a) the SIFMA Index plus 1.00% or (b) the Maximum Rate, until the conversion of the interest rate thereon to a fixed rate of interest.

The Bank’s obligation to purchase Variable Rate Demand Bonds under the Initial Liquidity Facility will immediately terminate without notice or other action on the part of the Bank upon the occurrence of certain events under the Initial Liquidity Facility. See “—Variable Rate Demand Bonds” and “—Initial Liquidity Facility—*Events of Default Under the Initial Liquidity Facility* and — *Remedies Upon Occurrence of an Event of Default.*” Rhode Island Housing is not responsible to Bondholders for any failure by the Bank to purchase Variable Rate Demand Bonds tendered at the option of the Bondholders or subject to mandatory tender for purchase, upon the occurrence of an event of default under the Initial Liquidity Facility.

Tender Provisions for Variable Rate Demand Bonds. Each Bondholder of Variable Rate Demand Bonds agrees to tender its Variable Rate Demand Bonds to the Tender Agent for purchase on the date prescribed by the Tender Notice or Mandatory Tender Notice. The Tender Agent will hold all tendered Variable Rate Demand Bonds (or portions thereof) for the benefit of the respective Bondholder until moneys representing the Purchase Price of such Variable Rate Demand Bonds (or portions thereof) are delivered to or for the account of or to the order of such Bondholder. The Purchase Price of Variable Rate Demand Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Variable Rate Demand Bonds or from amounts made available under the Liquidity Facility as described below. If there is a failure to remarket all or a portion of the Variable Rate Demand Bonds and such unremarketed Variable Rate Demand Bonds are not purchased under the Liquidity Facility, such unremarketed Variable Rate Demand Bonds shall be retained by the Bondholders thereof and earn interest thereon as described above under “—*Rhode Island Housing Not Responsible for Bank’s Failure To Provide Money to Purchase Variable Rate Demand Bonds.*”

Any Variable Rate Demand Bonds that are not delivered to the Tender Agent in the time, place, and manner required by the Mandatory Tender Notice shall be deemed tendered and purchased by the Tender Agent on the purchase date. Interest accruing on such Variable Rate Demand Bonds on and after the purchase date will not be payable to such non-tendering Bondholder, and such non-tendering Bondholder will have recourse solely to the funds held by the Tender Agent for the purchase of such Variable Rate Demand Bonds.

Failure by the Trustee to give any notice described above shall not prohibit or invalidate any actions described herein and the Variable Rate Demand Bonds shall be deemed tendered and remarketed, purchased, or redeemed and the interest rate with respect to such Variable Rate Demand Bonds shall be adjusted as provided in the General Resolution, regardless of whether or not the Trustee appropriately notifies the Bondholders or Rhode Island Housing.

Payment of Purchase Price of Variable Rate Demand Bonds. The Purchase Price of Variable Rate Demand Bonds tendered or required to be tendered for purchase will be paid, first, from amounts derived from the remarketing of the Variable Rate Demand Bonds; and second, from amounts derived from a draw on the Initial Liquidity Facility.

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

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

Initial Liquidity Facility for Variable Rate Demand Bonds

In General. Rhode Island Housing, The Bank of New York Trust Company, N.A., as tender agent (the "Tender Agent") and Dexia Credit Local, acting through its New York Branch (the "Bank"), have entered into the Standby Bond Purchase Agreement dated as of December 1, 2007 (the "Standby Bond Purchase Agreement" or the "Initial Liquidity Facility"). During the term of the Standby Bond Purchase Agreement, the Bank shall provide liquidity support for the purchase of Variable Rate Demand Bonds which are tendered to the Tender Agent at the option of the bondholder but not remarketed by the Remarketing Agent. In addition, the Standby Bond Purchase Agreement is to provide liquidity for the mandatory purchase of tendered Variable Rate Demand Bonds (i) upon changes in Variable Rate Periods, (ii) upon the expiration (without extension) of the Standby Bond Purchase Agreement, (iii) except as otherwise provided in the Resolution, upon the replacement of the Standby Bond Purchase Agreement with an Alternate Liquidity Facility and (iv) at the direction of the Bank following the occurrence of certain Events of Default under the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement will expire on December 20, 2010, which is prior to the final maturity of the Variable Rate Demand Bonds, unless extended or terminated as described herein. Rhode Island Housing has the right and may elect to terminate the Standby Bond Purchase Agreement in its discretion, subject to the terms of the Standby Bond Purchase Agreement. Unless otherwise noted, all defined terms in this summary of the Standby Bond Purchase Agreement shall have the meaning ascribed to such terms in the Standby Bond Purchase Agreement.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE BANK TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY THE BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE STANDBY BOND PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE VARIABLE RATE DEMAND BONDS. THE STANDBY BOND

PURCHASE AGREEMENT PROVIDES FOR THE PURCHASE OF TENDERED VARIABLE RATE DEMAND BONDS ONLY.

Purchase of Tendered Variable Rate Demand Bonds by the Bank. During the Purchase Period the Bank has agreed to purchase Eligible Bonds (as defined in the Standby Bond Purchase Agreement), which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Resolution. The Purchase Period begins on the date the Standby Bond Purchase Agreement shall become effective and ends on the earliest to occur of (a) December 20, 2010; (b) the date on which Rhode Island Housing delivers an Alternate Liquidity Facility to the Trustee in accordance with the terms of the Resolution; (c) the date on which no Variable Rate Demand Bonds are outstanding; (d) the date on which the Variable Rate Demand Bonds are converted to a Flexible Rate, a Term Rate, a Fixed Rate or an Auction Rate; (e) the date specified in a written notice delivered by Rhode Island Housing to the Bank that Rhode Island Housing has elected to terminate the Standby Bond Purchase Agreement pursuant to the terms of the Standby Bond Purchase Agreement; (f) the occurrence of an Event of Termination (as further described below); or (g) the date on which the Bank's commitment has been terminated in its entirety and the Bank is no longer obligated to purchase Variable Rate Demand Bonds. The price to be paid by the Bank for such Variable Rate Demand Bonds will be equal to the aggregate principal amount on such Variable Rate Demand Bonds without premium, plus interest accrued thereon on the Purchase Date, unless, in the case of interest, the Purchase Date is an Interest Payment Date. As described below, under certain circumstances the obligation of the Bank to purchase tendered Variable Rate Demand Bonds will be automatically suspended or terminated, without prior notice or demand, and the Tender Agent will be unable to require the purchase of Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

Events of Termination and Events of Default, Generally. The remedies upon the occurrence of an Event of Termination or an Event of Default under the Standby Bond Purchase Agreement differ significantly and depend upon the nature of the particular Event of Termination or Event of Default. See “—***Remedies Upon an Event of Termination or an Event of Default***” below.

Events of Termination. Each of the following is an “Event of Termination” under the Standby Bond Purchase Agreement:

(a) Any principal or interest due on the Variable Rate Demand Bonds is not paid when due and such principal or interest is not paid by FSA when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or

(b) FSA shall in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal of or interest on the Variable Rate Demand Bonds is not valid and binding on FSA, and repudiate the obligations of FSA under the Bond Insurance Policy with respect to payment of principal of or interest on the Variable Rate Demand Bonds, or FSA shall initiate any legal proceedings to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal of, interest on, or the special redemption of the Variable Rate Demand Bonds, is not valid and binding on FSA or any court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall announce, find or rule that the Bond Insurance Policy is not valid and binding on FSA; or

(c) The occurrence of a Bond Insurer Event of Insolvency which means the occurrence and continuance of one or more of the following events: (i) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereof (or any other law to which FSA is at the time subject), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of FSA that is not dismissed within ninety (90) days; (ii) the commencement by FSA of a voluntary case or other proceeding seeking an order for relief, liquidation, supervision, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of FSA or any bankruptcy, insolvency or other similar law now or hereafter in effect, including, without

limitation, the appointment of a trustee, receiver, liquidator, conservator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of FSA to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by FSA of an assignment for the benefit of creditors; (v) the failure of FSA to generally pay its debts or claims as they become due; or (vi) the initiation by FSA of any actions to authorize any of the foregoing; or

(d) The withdrawal or suspension by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P"), Moody's Investors Services, Inc. ("Moody's") and Fitch, Inc. ("Fitch") of the financial strength rating of FSA or the reduction of such ratings below BBB- in the case of S&P, Baa3 in the case of Moody's, and BBB- in the case of Fitch; or

(e) Any default by FSA in making payment when, as, and in the amounts required to be made pursuant to the express terms and provisions of any other bond insurance policy issued by FSA insuring publicly-rated bonds and such failure shall continue for thirty (30) days unless the obligation of FSA to pay is being contested by FSA in good faith by appropriate proceedings; or

(f) FSA shall fail to maintain a financial strength or claims paying ability rating by S&P of AA- (or its equivalent) or higher, by Moody's of Aa3 (or its equivalent) or higher or by Fitch of AA- (or its equivalent) or higher for a period of thirty (30) consecutive days.

Events of Default. Each of the following is an "Event of Default" under the Standby Bond Purchase Agreement:

(a) Any material representation or warranty made by Rhode Island Housing under or in connection with the Standby Bond Purchase Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(b) Non-payment of any commitment fees and certain other amounts payable under the Standby Bond Purchase Agreement (together with interest thereon at the Default Rate) within ten (10) days after the Trustee, FSA and Rhode Island Housing have received written notice from the Bank that the same were not paid when due; or

(c) Non-payment of any other fees or amounts payable under the Standby Bond Purchase Agreement (together with interest thereon at the Default Rate) within twenty (20) days after the Trustee, FSA and Rhode Island Housing have received written notice thereof from the Bank that the same were not paid when due; or

(d) The breach by Rhode Island Housing of certain covenants under the Standby Bond Purchase Agreement; or

(e) The breach by Rhode Island Housing of any terms or provisions of the Standby Bond Purchase Agreement for which no cure period is otherwise specifically provided with respect thereto which is not remedied within thirty (30) days after FSA and Rhode Island Housing have received written notice thereof from the Bank; or

(f) (i) Rhode Island Housing shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, (A) relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Rhode Island Housing shall make a general assignment for the benefit of its creditors; or (ii) there shall

be commenced against Rhode Island Housing any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismitted, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against Rhode Island Housing any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) Rhode Island Housing shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) Rhode Island Housing shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts; or

(g) Any material provision of the Standby Bond Purchase Agreement or any Related Document (other than the Bond Insurance Policy) shall at any time for any reason cease to be valid and binding on Rhode Island Housing or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by Rhode Island Housing or by any Governmental Authority having jurisdiction, or Rhode Island Housing shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Bank's prior written consent; or

(h) The occurrence of any "event of default" as defined in any Related Document (as defined in the Standby Bond Purchase Agreement) (which is not waived pursuant to the terms thereof) which is not otherwise described in the Standby Bond Purchase Agreement, other than the failure of the Bank to provide funds for the purchase of tendered Variable Rate Demand Bonds when required by the terms and conditions of the Standby Bond Purchase Agreement.

(i) Rhode Island Housing shall have defaulted in the payment or performance of any obligation of a principal amount in excess of \$5,000,000 which constitutes a debt, and such default permits the acceleration of the payment of moneys.

Remedies Upon an Event of Termination or an Event of Default. If any Event of Termination or Event of Default occurs and is continuing, the Bank has the following remedies:

In the case of an Event of Termination specified in paragraphs (a), (c), (d), or (e) under "**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Termination**" above, the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Variable Rate Demand Bonds shall immediately terminate without notice or demand (a "Termination Event"), and thereafter the Bank shall be under no obligation to purchase Variable Rate Demand Bonds. Promptly upon the Bank's obtaining knowledge of any such Event of Termination, the Bank shall give written notice of the same to the Trustee, Rhode Island Housing, the Remarketing Agent and FSA; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the immediate termination of the Bank's Available Commitment and of its obligation to purchase Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement.

In the case of an Event of Termination specified in paragraph (f) under "**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Termination**" above, or an Event of Default specified under "**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Default**" in paragraphs (b), (c), (d) (as it relates to amending the Standby Bond Purchase Agreement), (f), (g), or (i) above, the Bank may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, Rhode Island Housing, the Remarketing Agent and FSA, specifying the date on which the Available Commitment and Purchase Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee (the "Purchase Termination Date"), and on and after the Purchase Termination Date, the Bank shall be under no further obligation to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

In the case of an Event of Termination specified in paragraph (b) under “—**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Termination**” above, the Bank’s obligation to purchase Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Variable Rate Demand Bonds until the Available Commitment is reinstated as described in the Standby Bond Purchase Agreement. Promptly upon the Bank’s obtaining knowledge of any such Event of Termination, the Bank shall give written notice of the same to Rhode Island Housing, the Trustee, the Remarketing Agent and FSA; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank’s obligation to purchase Variable Rate Demand Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on FSA, then the Bank’s obligation to purchase Variable Rate Demand Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall find or rule that the Bond Insurance Policy is valid and binding on FSA, the Bank’s obligation to purchase Variable Rate Demand Bonds shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless otherwise terminated or suspended by its terms). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is three (3) years after the effective date of suspension of the Bank’s obligation, litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of the Bank to purchase Variable Rate Demand Bonds shall at such time immediately terminate, and thereafter the Bank shall be under no obligation to purchase Variable Rate Demand Bonds.

During the pendency of an Event of Termination pursuant to paragraph (c) under “—**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Termination**” (with respect to an order described in clause (i) of paragraph (c)) or (e) under “—**Initial Liquidity Facility for Variable Rate Demand Bonds—Events of Termination**” (prior to the expiration of the 30 day period specified in paragraph (e)) (each a “Potential Event of Termination”), the Bank’s obligation to purchase Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Variable Rate Demand Bonds until the Available Commitment is reinstated as described hereafter. Promptly upon the Bank obtaining knowledge of any such Potential Event of Termination, the Bank shall give written notice of the same to Rhode Island Housing, the Trustee, the Remarketing Agent and FSA; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank’s obligations under the Standby Bond Purchase Agreement. In the event such Potential Event of Termination is cured prior to becoming a Termination Event, the Bank’s obligations shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless it is otherwise terminated or suspended by its terms).

In addition to the rights and remedies set forth in the preceding paragraphs, in the case of any Event of Termination or Event of Default, upon the election of the Bank: (i) all amounts payable under the Standby Bond Purchase Agreement (other than payments of principal and redemption price of and interest on the Variable Rate Demand Bonds or payments of Excess Bond Interest) shall upon notice to Rhode Island Housing become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Rhode Island Housing; and (ii) the Bank shall have all the rights and remedies available to it under the Standby Bond Purchase Agreement, the Related Documents, the Bond Insurance Policy or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Variable Rate Demand Bonds or to declare any amount due hereunder due and payable except as expressly provided, or to accelerate the maturity date of any Variable Rate Demand Bonds except as provided in the Resolution. Without limiting the generality of the foregoing, the Bank agrees to purchase Variable Rate Demand Bonds on the terms and conditions of the Standby Bond Purchase Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to Rhode Island Housing. The Bank will not assert as a defense to its obligation to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement (A) the institution or pendency of a bankruptcy,

insolvency or similar proceeding with respect to Rhode Island Housing, or (B) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to Rhode Island Housing that the Standby Bond Purchase Agreement is not enforceable against Rhode Island Housing under applicable bankruptcy, insolvency or similar laws. This paragraph shall not limit the exercise of the Bank's remedies expressly provided for above.

Extension, Reduction, Adjustment or Termination of the Standby Bond Purchase Agreement.

The Standby Bond Purchase Agreement is to expire on December 20, 2010, unless earlier terminated or, with the consent of the Bank in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Standby Bond Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the Variable Rate Demand Bonds, (ii) the conversion of all or a portion of Variable Rate Demand Bonds to a Non-Covered Interest Rate (as defined in the Standby Bond Purchase Agreement) or (iii) any purchase by the Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Resolution, the Bank's purchase commitment under the Standby Bond Purchase Agreement with respect to principal of Variable Rate Demand Bonds shall automatically be reduced by the principal amount of the Variable Rate Demand Bonds so redeemed, defeased, converted or otherwise paid or purchased, as the case may be. The Bank's commitment with respect to interest shall be equal to one hundred eighty seven (187) days' interest on the principal amount of Variable Rate Demand Bonds (assuming an interest rate of twelve percent (12%) per annum for the Variable Rate Demand Bonds). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of Variable Rate Demand Bonds or the purchase by the Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Resolution.

Limitations of the Standby Bond Purchase Agreement. The ability to obtain funds under the Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a Standby Bond Purchase Agreement may prevent or restrict payment under the Standby Bond Purchase Agreement. To the extent the short-term rating on the Variable Rate Demand Bonds depends on the rating of the Bank, the short-term ratings on the Variable Rate Demand Bonds could be downgraded or withdrawn if the Bank were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Bond Purchase Agreement.

The obligation of the Bank to purchase unremarketed Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of Variable Rate Demand Bonds tendered for purchase. The Standby Bond Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Variable Rate Demand Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

For further information regarding the Bank, see **APPENDIX F** hereto.

Substitute Liquidity Facility

Rhode Island Housing may provide for a Substitute Liquidity Facility, subject to the consent of FSA. Any Substitute Liquidity Facility shall have a term of not less than the lesser of 364 days or the remaining term of the Initial Liquidity Facility which such Substitute Liquidity Facility is replacing, and expire not less than five days after the next succeeding Interest Payment Date after the Substitution Date for each Variable Rate Demand Bond to be entitled to the benefit of such Substitute Liquidity Facility. At least five Business Days prior to the delivery to the Trustee of the Substitute Liquidity Facility, the Trustee shall have received an irrevocable commitment to issue or enter into such replacement, and on the

Substitution Date the Trustee shall have received an opinion of counsel regarding the Substitute Liquidity Facility Agreement to the effect that such Substitute Liquidity Facility Agreement is enforceable against the provider thereof. The provider of a Substitute Liquidity Facility shall purchase all Bank-Owned Bonds held by or for the account of the prior provider on the Substitution Date. The Trustee shall have given a Mandatory Tender Notice for a mandatory tender on the Substitution Date to which the Substitute Liquidity Facility relates.

The Initial Liquidity Facility may, with the consent of the Bank in its sole and absolute discretion, be extended for additional periods, in accordance with the provisions of the Initial Liquidity Facility. Any such extension shall not require notice to the Bondholders of Variable Rate Demand Bonds and shall not constitute a Substitute Liquidity Facility.

REDEMPTION PROVISIONS

Optional Redemption

The Fixed Rate Bonds are redeemable, at the option of Rhode Island Housing, on or after April 1, 2017, in whole or in part on any date upon not less than thirty days notice, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

The Variable Rate Demand Bonds are subject to redemption prior to maturity in whole or in part on any Business Day from any available moneys at the option of Rhode Island Housing at a Redemption Price equal to 100% of the principal amount plus accrued interest.

Mandatory Sinking Fund Redemption

The 2007 Series B-1A Bonds maturing on October 1, 2022, October 1, 2027, October 1, 2037, and October 1, 2049 and the 2007 Series B-1B Bonds maturing on October 1, 2038 are subject to mandatory redemption, in part, by lot, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, by application of Sinking Fund Payments which are required to be made to redeem such Bonds in the respective amounts on each of the dates shown below:

2007 Series B-1A Term Bonds Due October 1, 2022 and Bearing Interest at a Rate of 5.00% Per Annum

Date	Principal Amount	Date	Principal Amount
October 1, 2018	\$190,000	October 1, 2021	\$235,000
October 1, 2019	205,000	October 1, 2022 [†]	240,000
October 1, 2020	210,000		

[†] Final Maturity

2007 Series B-1A Term Bonds Due October 1, 2022 and Bearing Interest at a Rate of 5.05% Per Annum

Date	Principal Amount	Date	Principal Amount
October 1, 2018	\$55,000	October 1, 2021	\$70,000
October 1, 2019	55,000	October 1, 2022 [†]	75,000
October 1, 2020	65,000		

[†] Final Maturity

**2007 Series B-1A Term Bonds Due October 1, 2027
and Bearing Interest at a Rate of 5.20% Per Annum**

Date	Principal Amount	Date	Principal Amount
October 1, 2023	\$160,000	October 1, 2026	\$185,000
October 1, 2024	160,000	October 1, 2027 [†]	205,000
October 1, 2025	190,000		

[†]Final Maturity

**2007 Series B-1A Term Bonds Due October 1, 2027
and Bearing Interest at a Rate of 5.25% Per Annum**

Date	Principal Amount	Date	Principal Amount
October 1, 2023	\$185,000	October 1, 2026	\$225,000
October 1, 2024	195,000	October 1, 2027 [†]	240,000
October 1, 2025	210,000		

[†]Final Maturity

2007 Series B-1A Term Bonds Due October 1, 2037

Date	Principal Amount	Date	Principal Amount
October 1, 2028	\$455,000	October 1, 2033	\$625,000
October 1, 2029	480,000	October 1, 2034	670,000
October 1, 2030	505,000	October 1, 2035	710,000
October 1, 2031	550,000	October 1, 2036	765,000
October 1, 2032	585,000	October 1, 2037 [†]	815,000

[†]Final Maturity

2007 Series B-1A Term Bonds Due October 1, 2049

Date	Principal Amount	Date	Principal Amount
October 1, 2038	\$ 885,000	October 1, 2044	\$1,320,000
October 1, 2039	945,000	October 1, 2045	1,410,000
October 1, 2040	1,010,000	October 1, 2046	1,505,000
October 1, 2041	1,070,000	October 1, 2047	1,610,000
October 1, 2042	1,150,000	October 1, 2048	1,875,000
October 1, 2043	1,230,000	October 1, 2049 [†]	880,000

[†]Final Maturity

[Remainder of page intentionally left blank]

2007 Series B-1B Variable Rate Demand Term Bonds Due October 1, 2038

Date	Principal Amount	Date	Principal Amount
October 1, 2016	\$525,000	October 1, 2028	\$ 845,000
October 1, 2017	545,000	October 1, 2029	875,000
October 1, 2018	570,000	October 1, 2030	910,000
October 1, 2019	590,000	October 1, 2031	950,000
October 1, 2020	620,000	October 1, 2032	985,000
October 1, 2021	640,000	October 1, 2033	1,025,000
October 1, 2022	670,000	October 1, 2034	1,065,000
October 1, 2023	685,000	October 1, 2035	1,110,000
October 1, 2024	720,000	October 1, 2036	1,150,000
October 1, 2025	750,000	October 1, 2037	1,200,000
October 1, 2026	780,000	October 1, 2038 [†]	1,250,000
October 1, 2027	810,000		

[†]Final Maturity

Special Redemption

Except as otherwise provided below, all 2007 Series B Bonds are subject to redemption, in whole or in part on any date, at the option of Rhode Island Housing, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, from moneys deposited in the Redemption Account, on account of (a) the optional prepayment of a Mortgage Loan (see “**RENTAL HOUSING PROGRAM—Prepayment of Mortgage Loans**”); (b) the sale or other disposition of property financed by a Mortgage Loan which Rhode Island Housing has taken title to or possession of as a result of an event of default under the Mortgage Loan with respect thereto; (c) condemnation of property financed by a Mortgage Loan or part thereof; (d) other proceedings taken in the event of default under a Mortgage Loan; (e) moneys deposited in the Redemption Account on account of 2007 Series B Bond proceeds remaining on deposit in the Bond Proceeds Account which have not been used to make or fund 2007 Series B Mortgage Loans; (f) Revenues (including Mortgage Loan prepayments) under the General Resolution in excess of the amount required to meet Debt Service requirements, the Capital Reserve Account Requirement, the Mortgage Reserve Account Requirement and Program Expenses with respect to all Bonds outstanding under the General Resolution; or (g) mortgage insurance or guaranty or hazard insurance proceeds.

General Provisions

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

If less than all of the Outstanding Bonds of a like Series and maturity are to be redeemed, the Trustee shall select increments of \$5,000 maturity amount of such Series and maturity to be redeemed by lot, using such method of selection as it shall deem proper in its sole discretion.

Notice of Redemption

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

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

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

RENTAL HOUSING PROGRAM

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

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

Under the Rental Housing Program, Rhode Island Housing must give priority to proposals which: (a) utilize other available funding sources such as federal, state, local and private grants; (b) request less than the maximum amount from the Special Loan Fund; (c) utilize federal tax credits in a cost-effective manner; (d) creatively respond to the needs of persons and families that are physically handicapped;

(e) provide rental housing to families rather than individuals; and (f) preserve the affordability of the existing housing stock throughout the State.

Mortgage Loan Processing For Developments

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

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

The Preliminary Review Process

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

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

The Loan Commitment Review Process

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

Initial Closing

At the initial closing of a mortgage loan, a regulatory agreement (the "Regulatory Agreement") is executed by Rhode Island Housing and the mortgagor. The Regulatory Agreement regulates tenant eligibility and rent levels in accordance with pertinent regulations of the Rental Housing Program and the

Code. The Regulatory Agreement also regulates management and operation of the development, and disbursement of development income.

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

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

Construction

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

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

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

- (1) Builder’s risk property insurance in excess of the construction cost under the construction contract is obtained for each of the developments.
- (2) Rhode Island Housing conducts field inspections of construction progress for each development on a weekly or monthly basis, as necessary.
- (3) Prior to the execution of the construction contract, either (i) the general contractor for each development posts a payment and performance bond, in the amount of 100% of the construction contract, in dual obligee form (Rhode Island Housing and mortgagor), (ii) the general contractor for each development posts a letter of credit for 25% of the construction price or (iii) the developer, or a principal of the developer, provides a

completion guaranty in the amount of 110% of the construction contract. Rhode Island Housing must approve the surety company selected for each development.

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

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

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

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

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

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

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

Permanent Financing

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

Resident Selection, Marketing and Management

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

After completion of construction and occupancy, the Loan Servicing Division inspects developments and conducts no less than yearly audits of the management agent's verification of resident eligibility, development accounts, resident waiting lists, accounts payable and receivable, and

development bank accounts, including all escrow and reserve accounts and generally observes all management operations. The management agent is required to submit monthly reports to the Loan Servicing Division which include information on the aging of all accounts payable and receivable for the development, a listing of all occupancies by unit size and rental rate, a summary of marketing activity for the preceding month, a cash reconciliation and budget review. Rhode Island Housing utilizes warning and exception reporting systems designed to identify potential problems at an early stage. Maintenance problems found during inspections are noted and the owners and managing agents have thirty days in which to respond to such findings and make corrections.

Prepayment of Mortgage Loans

While the mortgage loans made in connection with Bridgham Manor Apartments, along with Gatewood Apartments, Metcalf I Apartments, Metcalf II Apartments and Washington Hill Apartments funded by Prior Bonds, are payable at any time on or after ten to fifteen years from the date of such Mortgage Loan closing, as applicable (See “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS**”), substantially all other mortgage loans financed under the Rental Housing Program provide that the developer may voluntarily prepay such mortgage loan only with the consent of Rhode Island Housing. While Rhode Island Housing has only consented to the voluntary prepayment of two of the Mortgage Loans financed under the Rental Housing Program to date, Rhode Island Housing expects to consent to the voluntary prepayment of additional mortgage loans under the Rental Housing Program in conjunction with the Preservation Program. See “**PLAN OF FINANCING**” herein for a description of the Preservation Program. Any exercised prepayment option or voluntary prepayment of a mortgage loan could result in the redemption of 2007 Series B Bonds at par as described herein under the heading “**REDEMPTION PROVISIONS—Special Redemption.**”

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Contract with Bondholders

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

Provisions for Issuance of Bonds

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

- (1) A Bond Counsel’s Opinion to the effect that the Bonds of such Series upon delivery will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Resolution;
- (2) The amount of the proceeds of such Series to be deposited in any Account held by the Trustee pursuant to the Resolution;
- (3) Except in the case of any refunding issue, a Certificate of an Authorized Officer stating that Rhode Island Housing is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; and

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

Provisions for Refunding Issues

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

Application of Bond Proceeds

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

Deposits and Investments

All amounts held by the Trustee, the Paying Agent or any Depository under the Resolution may be deposited in interest-bearing time or demand deposits or certificates of deposit or repurchase agreements or other similar banking arrangements with itself or a member bank of the Federal Reserve System, or a bank the deposits of which are insured by the Federal Deposit or its successor, or a savings and loan association, the deposits of which are insured by the Federal Savings and Loan or its successor. Repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with, and recognized as, primary dealers by a Federal Reserve Bank. All amounts held under the Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of Rhode Island Housing and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. Except as otherwise expressly provided, in computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on each January 1 and July 1 and as otherwise required under the Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

Establishment of Accounts

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

- (a) Bond Proceeds Account.
- (b) Revenue Account.
- (c) Redemption Account.
- (d) Mortgage Reserve Account.
- (e) Capital Reserve Account
- (f) Rebate Account.

Bond Proceeds Account

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

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

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

Revenue Account

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

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

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

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

Redemption Account

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

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

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

Mortgage Reserve Account

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

If on any Interest Payment Date or Redemption Date, the amount in the Redemption Account, if applicable, and the Revenue Account is less than the amount required for the payment of the principal or Redemption Price and interest due on the Bonds to be paid or redeemed on such date, the Trustee shall apply amounts from the Mortgage Reserve Account to the extent necessary to make good the deficiency.

Amounts in the Mortgage Reserve Account in excess of the Mortgage Reserve Account Requirement shall, upon receipt by the Trustee of the written instructions of an Authorized Officer determining to withdraw such amount, be paid to and deposited in the Revenue Account.

At any time, the Trustee shall transfer moneys from the Mortgage Reserve Account to Rhode Island Housing in the amount stated in the Certificate of an Authorized Officer as necessary for the payment of expenses incurred by Rhode Island Housing in connection with protection of the interest of Rhode Island Housing in a Mortgage Loan or the ownership, repair, improvement and disposition of property financed by a Mortgage Loan, but in the case of repair or improvement only if the cumulative amount so transferred with respect to any acquired property is not in excess of the amount of estimated increase in market value of such property as determined in such certificate or the amount necessary, in the judgment of Rhode Island Housing, to maintain Rhode Island Housing's rights to obtain insurance proceeds, if any.

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

Capital Reserve Account

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

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

Whenever the amount in the Capital Reserve Account, together with the amount in the Revenue Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Account shall be transferred to the Capital Reserve Account. Prior to said transfer, any Bonds constituting a part of the Revenue Account shall be deemed paid and cancelled.

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

The Capital Reserve Account Requirement for floating rate Bonds issued after March 12, 2003 is calculated based on the assumption that such floating rate Bonds bear interest at then available fixed interest rates for comparable fixed rate obligations issued at approximately the same time as the original issuance of the floating rate Bonds and rated in the same rating category as the floating rate Bonds, as determined by Rhode Island Housing.

Rebate Account

There are to be deposited in the Rebate Account all amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing each Series of Bonds and any other amounts

received and determined to be deposited therein by Rhode Island Housing. Amounts on deposit in the Rebate Account are to be applied in accordance with such Supplemental Resolution.

Payment of Bonds

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

Tax Covenants

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

Housing Program

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

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

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

(a) in order to realize the benefits of insurance, if any, with respect to such Mortgage Loan or Acquired Development;

(b) in order to provide funds to finance another Mortgage Loan having substantially equivalent terms as the remainder of such Mortgage Loan; or

(c) in order to provide funds for the redemption or purchase of a principal amount of Bonds corresponding to the unpaid principal amount of such Mortgage Loan plus the unamortized portion of the Costs of Issuance and original issue discount allocable to such Mortgage Loan.

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

Accounts and Reports

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

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

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

Budgets

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

Powers of Amendment

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

Events of Default

It is an "Event of Default" if: (a) Rhode Island Housing defaults in the payment of the principal or Redemption Price of any Bonds when due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made within 30 days after becoming due; or (c) Rhode Island Housing fails or refuses to comply with the provisions of the Resolution, or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default continues for a period of 90 days after written notice thereof by the Trustee or by the holders of not less than 5% in principal amount of the Outstanding Bonds. In addition, solely with respect to the 2007 Series B Bonds, a default under the FSA Insurance Agreement shall constitute an Event of Default with respect to such 2007 Series B Bonds.

Remedies

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

Priority of Payment After Default

In the event that during the continuance of an Event of Default, the funds held by the Trustee and Paying Agent are insufficient for the payment of principal or Redemption Price, if any, and interest then

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

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

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

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

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

Compensation of Trustee

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

Defeasance

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

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by Rhode Island Housing of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any outstanding Bonds will, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, Rhode Island Housing has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the Resolution, notice of redemption on said date of

such Bonds, and (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or direct obligations of, or obligations guaranteed by, the United States of America, or any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae (but only to the extent such obligations are guaranteed by the Government National Mortgage Association) or issued by another federal agency and backed by the full faith and credit of the United States of America, or obligations secured by such obligations, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

TRUSTEE

The Trustee for the 2007 Series B Bonds will be The Bank of New York Trust Company, N.A., Providence, Rhode Island. The Trustee also serves as bond trustee for other outstanding bonds of Rhode Island Housing. The Trustee also acts as Paying Agent for the Bonds. Principal, premium, if any, and interest on the Bonds will be payable at the Paying Agent's corporate trust office in Dallas, Texas.

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

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

AGREEMENT OF THE STATE

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

STATE NOT LIABLE ON BONDS

The Bonds of Rhode Island Housing shall not be in any way a debt or liability of the State or of any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation of the State or of any such political subdivision or be or constitute a pledge of the faith and credit of the State or of any such political subdivision, but such Bonds shall be payable solely from revenues or funds of Rhode Island Housing pledged for their payment.

LEGALITY FOR INVESTMENT

The Act provides that the Bonds shall be legal investments in which all public officers and public bodies of the State, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking institutions including savings and loan associations, building and loan associations, trust

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

LITIGATION

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

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the 2007 Series B Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing, whose approving opinion in substantially the form of APPENDIX G hereto will be delivered with such 2007 Series B Bonds.

Certain legal matters in connection with 2007 Series B Bonds are subject to the approval of Brown Rudnick Berlack Israels LLP, Providence, Rhode Island, Issuer's Counsel to Rhode Island Housing, to the approval of Kutak Rock LLP, Atlanta, Georgia, Counsel to the Underwriters, and to the approval of Chapman and Cutler LLP, Chicago, Illinois, counsel to the Bank.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Rhode Island Housing, under existing statutes and court decisions, (i) interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2007 Series B Bond for any period during which such 2007 Series B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities financed with the proceeds of the 2007 Series B Bonds or a "related person" and (ii) interest on the 2007 Series B Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the 2007 Series B Developers and others in connection with the 2007 Series B Bonds, and Bond Counsel has assumed compliance by Rhode Island Housing and the related 2007 Series B Developers with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2007 Series B Bonds from gross income under Section 103 of the Code. In addition, in the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Rhode Island Housing, pursuant to the provisions of the Act, income on the 2007 Series B Bonds (including any profit on the sale thereof) is free from Rhode Island personal income taxes. See "**Miscellaneous**" below for a discussion of certain litigation that may relate to this Rhode Island tax exemption.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2007 Series B Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason.

Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2007 Series B Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements Applicable to the 2007 Series B Bonds

The Code requires that at all times during the “qualified project period” (as defined below), each 2007 Series B Development financed with the proceeds of the 2007 Series B Bonds (collectively, the “Tax Exempt Developments”) satisfy one of two set-aside requirements and constitutes rental property. Under these set-aside requirements, the developers of such Tax Exempt Developments must elect that either (a) 40% or more of the residential units in such Tax Exempt Developments are occupied by individuals whose income is 60% or less of area median gross income or (b) 20% or more of residential units in such Tax Exempt Developments are occupied by individuals whose income is 50% or less of area median gross income. Under the Code, the income of tenants of a development and area median gross income must be determined pursuant to Section 8 of the United States Housing Act of 1937, as amended. Income determinations under the Code, therefore, are subject to adjustments for family size.

The Code also requires that the low and moderate income occupancy requirement and the continuous rental requirement be continuously satisfied during the qualified project period. Determination of income qualification must be made on a continuing basis. Increases in a tenant’s income of up to 140% of the applicable income limit (as adjusted for family size) will not necessarily adversely affect the exclusion from gross income of interest on the 2007 Series B Bonds. In the event that a tenant’s income increases to a level which is greater than 140% of the applicable limit (or if the tenant’s family size decreases so that a lower maximum income applies), that tenant may no longer be treated as a person of low and moderate income for purposes of satisfying the low and moderate income requirement. Thereafter, any unit of comparable or smaller size in the related Tax Exempt Development which subsequently becomes vacant must be rented to an income qualifying tenant until such Tax Exempt Development again is in compliance. The related 2007 Series B Developer will have a minimum of 60 days to cure any noncompliance with the income requirement.

The “qualified project period” is defined by the Code as the period beginning on the first day upon which 10% of the units in the related development are occupied and ending on the latest of (a) the date which is 15 years after the date upon which 50% of the units in such development are first occupied, (b) the first day upon which none of the bonds issued with respect to that development remain outstanding or (c) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates.

In addition, the Code establishes certain additional requirements that must be met subsequent to the issuance and delivery of the 2007 Series B Bonds in order that interest on the 2007 Series B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2007 Series B Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2007 Series B Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Rhode Island Housing and the applicable 2007 Series B Developers have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2007 Series B Bonds from gross income under Section 103 of the Code.

Compliance with Federal Tax Requirements. Rhode Island Housing’s Tax Certification, which will be delivered concurrently with the delivery of the 2007 Series B Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. Rhode Island Housing, in executing its Tax Certification, will certify to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. Rhode Island Housing has also covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or

desirable in order to assure that interest paid on the 2007 Series B Bonds is not included in gross income for federal income tax purposes. In furtherance thereof, Rhode Island Housing has required the Mortgagors with respect to the Mortgage Loans to be financed by the 2007 Series B Bonds to make certain covenants in the Mortgage Loan documents in order to satisfy the above-described requirements of applicable federal tax law. However, no assurance can be given that in the event of a breach of any such covenants, the remedies available to Rhode Island Housing and/or owners of the 2007 Series B Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable federal tax law and therefore to prevent the loss of the exclusion of interest on the 2007 Series B Bonds under applicable federal tax law. Any loss of the exclusion of interest on the 2007 Series B Bonds may be retroactive to the delivery date of the 2007 Series B Bonds irrespective of when an event of noncompliance may occur or be ascertained.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain federal income tax matters with respect to the 2007 Series B Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a 2007 Series B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2007 Series B Bonds.

Prospective owners of 2007 Series B Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2007 Series B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Backup Withholding and Information Reporting. Information reporting requirements will apply to interest paid on tax-exempt obligations, including the 2007 Series B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2007 Series B Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Legislation. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2007 Series B Bonds will not have an adverse effect on the tax-exempt status or market price of the 2007 Series B Bonds.

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Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2007 Series B Bonds under federal or state law and could affect the market price or marketability of the 2007 Series B Bonds.

Prospective purchasers should be aware that the United States Supreme Court has heard oral arguments in connection with its review of *Davis v. Dep't. of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), *cert. granted* 2007 U.S. LEXIS 5914 (May 21, 2007), a decision of a Kentucky appellate court, which held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. Rhode Island statutes provide more favorable Rhode Island income tax treatment for holders of bonds issued by the State of Rhode Island and its political subdivisions, including the 2007 Series B Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court were to affirm the holding of the Kentucky appellate court, subsequent Rhode Island judicial decisions or legislation designed to ensure the constitutionality of Rhode Island tax law could, among other alternatives, adversely affect the Rhode Island tax exemption of outstanding bonds, including the 2007 Series B Bonds, to the extent constitutionally permissible, or result in the exemption from Rhode Island income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the 2007 Series B Bonds.

Prospective purchasers of the 2007 Series B Bonds should consult their own tax advisors regarding the foregoing matters.

FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING

The financial statements of Rhode Island Housing as of and for the years ended June 30, 2007 and 2006 are included in **APPENDIX C** hereto. Such financial statements have been audited by Lefkowitz, Garfinkel, Champi & DeRienzo P.C. (“LGC&D”), Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. LGC&D has not audited or reviewed Rhode Island Housing’s financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2007.

UNDERWRITING

UBS Securities LLC, Goldman, Sachs & Co., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Oppenheimer & Co. Inc., Citigroup Global Markets Inc., Janney Montgomery Scott LLC, M.R. Beal & Company, RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, and Roosevelt & Cross, Inc. (collectively, the “Fixed Rate Bond Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the Fixed Rate Bonds at a purchase price of \$26,156,809.90, representing the par amount thereof (\$26,290,000.00) less initial issue discount (\$133,190.10). The Fixed Rate Bond Underwriters will be paid a fee in connection with their purchase of the Fixed Rate Bonds, in an amount of \$224,747.00. The obligation of the Fixed Rate Bond Underwriters to purchase the Fixed Rate Bonds is subject to certain terms and conditions set forth in the Purchase Contract with respect to the 2007 Series B Bonds.

UBS Securities LLC and Goldman, Sachs & Co. (collectively, the “Variable Rate Demand Bond Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the Variable Rate Demand Bonds at a purchase price of \$19,270,000.00, representing the par amount thereof. The Variable Rate Demand Bond Underwriters will be paid a fee in connection with their purchase of the Variable Rate Demand Bonds, in an amount of \$70,757.00. The obligation of the Underwriters to purchase the Variable Rate Demand Bonds is subject to certain terms and conditions set forth in the Purchase Contract with respect to the 2007 Series B Bonds.

The 2007 Series B Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the applicable underwriters.

RATINGS

It is anticipated that S&P will assign a rating of “AAA” to the 2007 Series B Bonds (other than the Variable Rate Demand Bonds) with the understanding that upon delivery of the 2007 Series B Bonds a policy insuring the payment when due of the principal of and interest on the 2007 Series B Bonds will be issued by FSA. It is also expected that S&P will assign their municipal bond ratings of “A-1+” to the Variable Rate Demand Bonds with the understanding that, upon the delivery of the Variable Rate Demand Bonds, the Liquidity Facility will be delivered by the Bank.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

Recent Developments Relating to Financial Guarantors

Each of the rating agencies has recently issued press releases or reports stating that they are examining the potential effects of downturns in the market for structured finance (SF) instruments, including collateralized debt obligations (“CDOs”), on the claims-paying ability of the bond insurance companies, including FSA. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

In a November 5, 2007 press release, Fitch Ratings (“Fitch”) stated that there was a “minimal probability” that FSA may experience erosion of its capital cushion under Fitch’s updated stress analysis and that “due to minimal SF CDO exposure and a strong initial capital cushion, Fitch anticipates no capital or rating issues resulting from its updated capital review of FSA.” In a November 8, 2007 press release, Moody’s Investors Services, Inc. (“Moody’s”) stated that “FSA has minimal exposure to ABS CDOs and, for this reason, is highly unlikely to fall below Moody’s capital adequacy benchmarks for its rating category.” On October 29, 2007, Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“S&P”) published a report entitled “Industry Report Card: Subprime Mortgage Sector Brings Mixed Developments for Bond Insurers Back.” The report, which contains a section on FSA, is now located at: <http://www2.standardandpoors.com/portal/site/sp/en/us/page.article/4,5,5,1,1148448937019.html>. There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Rhode Island Housing has agreed in the Continuing Disclosure Agreement to be entered into with the Trustee (the “Disclosure Agreement”) for the benefit of the beneficial owners of the 2007 Series B Bonds pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, §240.15c2-12) (the “Rule”) to provide the following:

To each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) and the Rhode Island State Information Depository (the “SID”), on or before 180 days following the end of each fiscal year of Rhode Island Housing, commencing with the fiscal year ending on June 30, 2008, financial information and operating data of the type included in APPENDIX A hereto (the “Annual Financial Information”) together with the annual financial statements of Rhode Island Housing prepared in accordance with GAAP, except as may be otherwise noted in the financial statements, and audited by an independent firm of certified public accountants (the “Audited Financial Statements”); provided, however, that (i) Rhode Island Housing may modify the basis upon which the financial statements are prepared if required by federal or state law and (ii) Rhode Island Housing may provide unaudited

financial statements by such date in the event the Audited Financial Statements are not available, provided that such Audited Financial Statements are provided to each NRMSIR and the SID when they become available; and

To (i) either the Municipal Securities Rulemaking Board (the “MSRB”) or each NRMSIR, (ii) the SID and (iii) the Trustee, in a timely manner, notice of any of the following events with respect to the 2007 Series B Bonds whether relating to Rhode Island Housing or otherwise, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) receipt of adverse opinions of counsel with respect to tax exemption of the 2007 Series B Bonds or the occurrence of events affecting the tax exempt status of the 2007 Series B Bonds,
- (g) modifications to rights of security holders;
- (h) bond calls (except in the case of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event);
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities; and
- (k) rating changes.

The Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. In addition, such Annual Financial Information may be provided by specific reference to documents previously either (a) provided to each NRMSIR existing at the time of such reference and the SID, or (b) filed with the SEC; including, without limitation, an Official Statement of Rhode Island Housing as long as such Official Statement is available from the MSRB. Filings made in accordance with the disclosure agreement may be made by transmitting such filing solely to the Texas Municipal Advisory Council (the “MAC”) as provided at www.disclosureusa.org, unless the United States Securities and Exchange Commission has withdrawn its interpretive advice in its letter to MAC dated September 7, 2004.

The Disclosure Agreement may be amended without the consent of the holders of the 2007 Series B Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

- (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of Rhode Island Housing or the type of business conducted thereby,

(2) such Disclosure Agreement as so amended would have complied with the requirements of the Rule applicable to such Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(3) Rhode Island Housing shall have delivered to the Trustee an opinion of nationally recognized counsel expert in federal securities laws (“Securities Counsel”), addressed to Rhode Island Housing and the Trustee, to the same effect as set forth in clause (2) above,

(4) either (i) Rhode Island Housing shall have delivered to the Trustee an opinion of Securities Counsel, addressed to Rhode Island Housing and the Trustee, to the effect that, or the Trustee shall have concluded that, the amendment does not materially impair the interests of the holders of the 2007 Series B Bonds, or (ii) the holders of the 2007 Series B Bonds shall have consented to the amendment to the Disclosure Agreement pursuant to the same procedures as are required under the Resolution for amendment to the Resolution with consent of the holders of the Bonds and

(5) Rhode Island Housing shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

In addition, Rhode Island Housing and the Trustee may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to Rhode Island Housing and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings contained in such Disclosure Agreement to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

Rhode Island Housing’s obligations under the Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the 2007 Series B Bonds. In addition, the Disclosure Agreement, or any provision thereof, shall be null and void in the event that Rhode Island Housing (a) delivers to the Trustee an opinion of nationally recognized bond counsel or Securities Counsel, addressed to Rhode Island Housing and Trustee, to the effect that those portions of the Rule which require the provisions of such Disclosure Agreement, or any of such provisions, do not or no longer apply to the 2007 Series B Bonds whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (b) delivers copies of such opinion to each NRMSIR and the SID.

The provisions of the Disclosure Agreement inure solely to the benefit of the Trustee and the holders and beneficial owners from time to time of the 2007 Series B Bonds.

The obligations of Rhode Island Housing to comply with the provisions of the Disclosure Agreement shall be enforceable (a) in the case of enforcement of obligations to provide financial statements, Annual Financial Information and notices, by any beneficial owner of Outstanding 2007 Series B Bonds or by the Trustee on behalf of the holders of Outstanding 2007 Series B Bonds, or (b), in the case of challenges to the adequacy of the financial statements or Annual Financial Information so provided, by the Trustee on behalf of the holders of Outstanding 2007 Series B Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the 2007 Series B Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The beneficial owners’ and Trustee’s rights to enforce the provisions of the Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of Rhode Island Housing’s obligations under the Disclosure Agreement and Rhode Island Housing, its directors, officers and employees shall incur no liability under the Disclosure Agreement by reason of any act or failure to act thereunder. Without limiting the generality of the foregoing and except as otherwise provided in the Bond Resolution with respect to the Trustee, neither the commencement nor the successful completion of

an action to compel performance under the Disclosure Agreement shall entitle the Trustee or any other person to attorneys' fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

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

MISCELLANEOUS

The references herein to the Act and the Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act and the Resolution for full and complete statements of such provisions. The agreements of Rhode Island Housing with the holders of the 2007 Series B Bonds are fully set forth in the Resolution, and this Official Statement is not to be construed as a contract with the purchasers of the 2007 Series B Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

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

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

**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION**

/s/ Thomas F. Hogg
Deputy Director—Finance

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DESCRIPTION OF THE DEVELOPMENTS

This Appendix A sets forth descriptions of the 2007 Series B Developments and the Prior Developments financed with Mortgage Loans funded with proceeds of other series of Bonds issued under the General Resolution. The 2007 Series B Bonds are secured on a parity with the other Bonds issued or to be issued under the General Resolution by a pledge of the Mortgage Loans and the Revenues derived from the Mortgage Loans on the developments described in this Appendix A and all amounts held in any account under the Resolution (except the Rebate Account) including investment income thereof.

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**DESCRIPTION OF THE DEVELOPMENTS EXPECTED TO BE
FINANCED BY THE 2007 SERIES B BONDS**

Development Name	Bridgham Manor Apartments	Fieldstone Apartments	Heritage Village
Mortgagor	Bridgman Associates, L.P.	Fieldstone Preservation	Heritage Preservation Associates Limited Partnership
Date of Completion	1983	1970	1979 Heritage Village I 1980 Heritage Village II
Management Agent	SHP Management Co.	Preservation Housing Management	Preservation Housing Management
Location	Providence	Narragansett	North Kingstown
Development Cost*	\$9,420,000	\$11,093,335	\$31,098,366
Mortgage Loan Amount	\$4,750,000 (\$273,000 to be repaid at construction completion)	\$4,400,000 (\$2,299,560 to be repaid upon completion of construction)	\$14,800,000 (1 st Mortgage) \$300,000 (2 nd Mortgage)
Dwelling Units	88	24	100 Heritage Village I 104 Heritage Village II
Type of Units	Elderly	Family	Elderly Heritage Village I Family Heritage Village II
Subsidized Units %	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8
HAP Expiration**	January, 2010	October, 2027	August, 2010 (Heritage Village I), May, 2011 (Heritage Village II)
RAP Expiration***	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	March, 2049; prepayment option in October, 2022.	November, 2048	February, 2049
Insurance****	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status*****	Fully Rented	Fully Rented	Fully Rented

* Development Cost includes construction costs, rehabilitation costs and payment in full of outstanding project debt.

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

*** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

**DESCRIPTION OF THE DEVELOPMENTS EXPECTED TO BE
FINANCED BY THE 2007 SERIES B BONDS (continued)**

	Parkis Place	
Development Name	Apartments	The Meadows
Mortgagor	Parkis Place Affordable Housing Partners, L.P.	Achieving the Dream, L.P.
Date of Completion	1973	July 2008
Management Agent	Davenport Associates	First Realty Management
Location	Providence	North Smithfield, RI
Development Cost*	\$10,055,384	\$20,201,243
Mortgage Loan Amount	\$4,713,500 (\$500,000 to be repaid upon completion of construction) \$3,800,000 (1 st Mortgage) \$413,500 (2 nd Mortgage)	\$16,000,000 (to be repaid upon completion of construction)
Dwelling Units	108	80
Type of Units	Elderly	Elderly
Subsidized Units %	100%	100%
Type of Subsidy Program	Section 8	Not Applicable
HAP Expiration**	June, 2009	August, 2012
RAP Expiration***	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	November, 2048	December, 2009
Insurance****	FHA Risk Share	Not Applicable
Occupancy Status*****	Fully Rented	Under Construction

* Development Cost includes construction costs, rehabilitation costs and payment in full of outstanding project debt.

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

*** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

**DESCRIPTION OF THE ALTERNATE DEVELOPMENTS
THAT MAY BE FINANCED BY THE 2007 SERIES B BONDS**

As noted in “**PLAN OF FINANCING**” herein, Rhode Island Housing reserves the right to fund the below Alternate Developments with the proceeds of the 2007 Series B Bonds:

Carleton Court – Carleton Court is an existing 46-unit elderly development and **Westside Apartments** is an existing 40-unit scattered site family development, both of which are located in Providence and will be consolidated into one development (“Carleton Court”). The development is to be owned and/or managed by Carleton Westside Apartments, L.P., a Rhode Island limited partnership. The proceeds of the Mortgage Loan in the amount of \$4,800,000 will be used for acquisition and rehabilitation of the development. Carleton Court receives rental subsidies pursuant to a State of Rhode Island Rental Assistance Program (“RAP”) contract scheduled to expire in December, 2010 for the units in the Westside Apartments portion of the development and in December, 2012 for the units in the existing Carleton Court portion of the development.

Bourne Mill B – Bourne Mill B is a new 72-unit family development which is part of the redevelopment of the Bourne Mill, a 20-acre mill complex located in Tiverton. The development is to be owned and/or operated by Bourne Mills Rental 4, LLC, a Rhode Island limited liability company, which will acquire and rehabilitate an existing mill building. The proceeds of the Mortgage Loan in the amount of \$14,000,000 will be used for acquisition and rehabilitation of the development, a portion of which will be repaid at completion of construction.

**CURRENT STATUS OF DEVELOPMENTS FINANCED
BY OUTSTANDING HOUSING BONDS**

Development Name	Marvin Gardens II	Charlesgate North	Centennial Towers
Bond Issue	1993 Series A	2001 Series A	2001 Series B
Mortgagor	The Meadow View Group	Charlesgate North Affordable Housing Partners LP	Subsidized Properties III, LP
Date of Completion	1983	1973	1977
Management Agent	Ferland Property Management	Davenport Associates Ltd.	Carpionato Properties
Location	Providence	Providence	Pawtucket
Development Cost	\$1,122,000	\$9,518,290	\$3,694,276
Mortgage Loan Amount	\$1,009,800	\$2,552,276 (1 st Mortgage) \$1,247,726 (2 nd Mortgage)	\$1,927,000
Outstanding Loan Balance as of 06/30/07	\$23,848	\$1708,285 (1 st Mortgage) \$1,247,726 (2 nd Mortgage)	\$1,794,857
Dwelling Units	24	200	101
Type of Units	Elderly/Disabled	Elderly/Assisted Living	Elderly
Subsidized Units %	100%	91%	100%
Type of Subsidy Program	Section 8	Section 8 and Section 236	Section 8
HAP Expiration*	November, 2007, renewal in progress	June, 2009	March, 2012
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	January, 2008	November, 2014	October, 2031
Insurance***	Not Applicable	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

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

Development Name	Evergreen Drive	Chimney Hill	The Elms	McAuley Village
Bond Issue	2001 Series B	2001 Series B	2001 Series B	2001 Series B
Mortgagor	Subsidized Properties II, LP	Cumberland Place LP	Subsidized Properties I, LP	McAuley Corporation
Date of Completion	1978	1978	1979	1990
Management Agent	National Investments, Ltd	Peabody Properties, Inc.	National Investments, Ltd	McAuley Corporation
Location	East Providence	Cumberland	West Warwick	Providence
Development Cost	\$4,609,329	\$5,216,322	\$5,395,882	\$2,476,819
Mortgage Loan Amount	\$2,340,000	\$3,800,000	\$3,100,000	\$1,612,580
Outstanding Loan Balance as of 06/30/07	\$2,179,568	\$3,684,230	\$2,891,299	\$1,198,734
Dwelling Units	84	130	120	23
Type of Units	Family	Elderly	Family	Family
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	State of Rhode Island Rental Assistance Program
HAP Expiration*	October, 2008	September, 2008	March, 2009	Not Applicable
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	May, 2010
Mortgage Loan Maturity Date	October, 2031	December, 2031	October, 2030	June, 2020
Insurance	FHA Risk Share	FHA Risk Share	FHA Risk Share	Not Applicable
Occupancy Status***	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

Development Name	Ralph R. aRusso Manor	Westside Community Housing	Marvin Gardens Apartments I	Douglas Manor Apartments
Bond Issue	2001 Series B	2001 Series B	2001 Series B	2001 Series B
Mortgagor	Rosemont Associates	Westside Associates	Willow Street Associates, L.P.	D.M. Associates, L.P.
Date of Completion	1991	1990	1979	1979
Management Agent	Johnston Housing Authority	The Gatehouse Group, Inc.	Property Advisory Group, Inc.	Property Advisory Group, Inc.
Location	Johnston	Providence	Providence	North Providence
Development Cost	\$1,967,591	\$4,354,940	\$5,980,104	\$5,448,006
Mortgage Loan Amount	\$741,960	\$1,922,580	\$4,669,589	\$4,300,000
Outstanding Loan Balance as of 06/30/07	\$616,779	\$1,524,102	\$3,565,570	\$3,292,198
Dwelling Units	22	40	121	100
Type of Units	Elderly/Disabled	Family	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	State of Rhode Island Rental Assistance Program	State of Rhode Island Rental Assistance Program	Section 8	Section 8
HAP Expiration*	Not Applicable	Not Applicable	January, 2010	January, 2010
RAP Expiration**	June, 2011	August, 2010	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	October, 2020	January, 2019	October, 2021	November, 2021
Insurance	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Occupancy Status***	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

Development Name	Cherry Hill	Parkway Towers	DeAngelis Manor I	Matthew XXV
Bond Issue	2002 Series A	2002 Series A	2002 Series A	2002 Series A
Mortgagor	POAH Cherry Hill, LLC	Parkway Apartments LP	825 Housing, LP	Matthew XXV Associates, LP
Date of Completion	1976	1978	1978	1978
Management Agent	Cherry Hill Johnston, LLC	Ferland Property Management	Goluses & Co.	AIMCO/NHP Management Company
Location	Johnston	East Providence	West Warwick	Warwick
Development Cost	\$3,852,362	\$4,456,496	\$3,739,223	\$3,726,426
Mortgage Loan Amount	\$1,487,200	\$3,159,628	\$2,440,000	\$2,094,700
Outstanding Loan Balance as of 06/30/07	\$1,364,398	\$2,962,441	\$2,299,796	\$1,974,338
Dwelling Units	72	104	96	95
Type of Units	Elderly	Elderly	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration*	April, 2025	July, 2023	November, 2008	June, 2023
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	February, 2031	January, 2032	April, 2032	April 30, 2032
Insurance	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status***	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

Development Name	315 Park Ave	Bear Hill	Bradford Court	Esmond Village
Bond Issue	2003 Series A	2003 Series A	2003 Series A	2003 Series A
Mortgagor	Park Avenue Limited Partnership	Bear Hill Limited Partnership	Bradford Court Associates, LP	HEALYN Properties, LLC
Date of Completion	1979	1979	1980	1978
Management Agent	SHP Management Co.	SHP Management Co.	Guardian Property Management, Inc.	Manhattan Specialists, Inc.
Location	Cranston	Cumberland	Burrillville	Smithfield
Development Cost	\$3,138,212	\$5,729,366	\$5,369,489	\$6,112,855
Mortgage Loan Amount	\$2,557,000	\$5,252,600	\$2,335,506	\$5,310,000
Outstanding Loan Balance as of 06/30/07	\$2,450,494	\$5,033,816	\$2,257,813	\$5,247,862
Dwelling Units	71	126	98	140
Type of Units	Elderly	Elderly	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration*	April, 2010	January, 2010	April, 2011	January, 2010
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	July, 2033	July, 2033	November, 2032	December, 2032
Insurance	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status***	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

Development Name	Etta Village	Hardig Brook	Indian Run	Mineral Spring Gardens
Bond Issue	2003 Series A	2003 Series A	2003 Series A	2003 Series A
Mortgagor	Wild Street Limited Partnership	Hardig Brook Limited Partnership	South Farm Limited Partnership	Mineral Spring Gardens Limited Partnership
Date of Completion	1980	1977	1980	1980
Management Agent	SHP Management Co.	SHP Management Co.	SHP Management Co.	North Dartmouth Properties, Inc.
Location	Providence	Warwick	South Kingstown	North Providence
Development Cost	\$1,524,885	\$5,317,054	\$5,817,594	\$6,347,084
Mortgage Loan Amount	\$1,385,000	\$4,680,000	\$4,889,000	\$4,297,500
Outstanding Loan Balance as of 06/30/07	\$1,327,311	\$4,485,066	\$4,685,421	\$4,119,662
Dwelling Units	36	100	114	139
Type of Units	Elderly	Elderly	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration*	May, 2010	January, 2009	March, 2010	March, 2011
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	July, 2033	July, 2033	July, 2033	November, 2033
Insurance	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status***	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

Development Name	Newport Heights 1B	160 Broad Street	Gatewood Apartments	Hagan Manor
Bond Issue	2003 Series A	2003 Series B	2003 Series B	2003 Series B
Mortgagor	Trinity Newport Four Limited Partnership	Travelers Aid Housing, L.P.	Gatewood Limited Partnership	Hagan Manor Associates
Date of Completion	2003	2003	1976	1984
Management Agent	Maloney Properties, Inc.	Travelers Aid	SHP Management Co.	Ferland Property Management
Location	Newport	Providence	North Smithfield	Providence
Development Cost	\$6,551,395	\$10,826,732	\$2,385,207	\$4,692,218
Mortgage Loan Amount	\$3,804,000; \$3,000,000 was repaid upon construction completion	\$5,670,000	\$2,180,000	\$2,498,599 (1 st Mortgage); \$635,875 (2 nd Mortgage)
Outstanding Loan Balance as of 06/30/07	\$766,064	\$1,834,363	\$2,099,702	\$2,395,414 (1 st Mortgage); \$288,554 (2 nd Mortgage)
Dwelling Units	36	192	60	80
Type of Units	Family	Single Room Occupancy	Elderly	Elderly
Subsidized Units %	100%	92%	100%	100%
Type of Subsidy Program	Section 8	RAP and Section 8 Mod. Rehab (SRO) Program	Section 8	Section 8
HAP Expiration*	January, 2015	Not Applicable	April, 2008	July, 2009
RAP Expiration**	Not Applicable	September, 2010	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	June, 2034	September, 2034	December, 2033; prepayment option at August 14, 2013.	December, 2009 (2 nd Mortgage) August, 2033 (1 st Mortgage)
Insurance***	None	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

Development Name	Melrose Apartments	Metcalf I Apartments	Metcalf II Apartments	Olney Towers
Bond Issue	2003 Series B	2003 Series B	2003 Series B	2003 Series B
Mortgagor	Adelaide Apartments Limited Partnership	Metcalf Court Limited Partnership	Veazie Street Limited Partnership	Omni Olney Limited Partnership
Date of Completion	2004	1977	1977	1973
Management Agent	First Realty Management	SHP Management Co.	SHP Management Co.	Winn Management
Location	Providence	Providence	Providence	Providence
Development Cost	\$5,869,238	\$2,526,600	\$2,327,137	\$7,640,692
Mortgage Loan Amount	\$3,628,410; \$3,199,017 was repaid at construction completion	\$2,119,000	\$1,773,000	\$4,323,029 (1 st Mortgage); \$1,079,237 (2 nd Mortgage)
Outstanding Loan Balance as of 06/30/07	\$418,667	\$2,040,949	\$1,707,694	\$4,174,964 (1 st Mortgage); \$786,353 (2 nd Mortgage)
Dwelling Units	36	60	52	154
Type of Units	Family	Elderly	Elderly	Elderly
Subsidized Units %	0%	100%	100%	100%
Type of Subsidy Program	Not Applicable	Section 8	Section 8	Section 8, Section 236
HAP Expiration*	Not Applicable	April, 2008	May, 2008	June, 2023
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	June, 2034	December, 2033; prepayment option at August 14, 2013.	December, 2033; prepayment option at August 14, 2013.	September, 2014 (2 nd Mortgage) July, 2033 (1 st Mortgage)
Insurance***	Not Applicable	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

Development Name	Spring Villa	Waterview Apartments	Berkeley Village	Rumford Towers I & II
Bond Issue	2003 Series B	2003 Series B	2003 Series C	2003 Series C
Mortgagor	Omni Spring Villa Limited Partnership	Omni Privilege Limited Partnership	Woodward Street Limited Partnership	Rumford Apartments, L.P.
Date of Completion	1973	1973	2003	1980
Management Agent	Winn Management	Winn Management	Valley Affordable Housing	Ferland Property Management
Location	North Providence	Woonsocket	Cumberland	East Providence
Development Cost	\$5,282,835	\$4,680,351	\$4,273,292	\$23,957,872
Mortgage Loan Amount	\$3,602,432 (1 st Mortgage); \$541,153 (2 nd Mortgage)	\$2,505,745 (1 st Mortgage); \$602,971 (2 nd Mortgage)	\$2,511,876; \$1,127,876 was repaid at construction completion	\$12,500,000
Outstanding Loan Balance as of 06/30/07	\$3,461,578 (1 st Mortgage); \$396,213 (2 nd Mortgage)	\$2,411,886 (1 st Mortgage); \$439,175 (2 nd Mortgage)	\$1,355,352	\$12,392,773
Dwelling Units	100	100	30	294
Type of Units	Elderly	Elderly	Family	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8, Section 236	Section 8, Section 236	Section 8	Section 8
HAP Expiration*	June, 2023	June, 2023	April, 2024	May, 2025
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	April, 2014 (2 nd Mortgage) July, 2033 (1 st Mortgage)	November, 2033	August, 2035	August, 2036
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share for permanent financing	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only 1st Mortgage, as applicable.

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

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

Development Name	Washington Hill Apartments	Charlesgate Park	D'Evan Manor	Maple Root Village
Bond Issue	2003 Series C	2004 Series A	2004 Series A	2004 Series A
Mortgagor	WHG-ACD, LLC	Charlesgate Park Affordable Housing Partners, L.P.	D'Evan Manor Associates	Maple Root Corporation
Date of Completion	1981	1978	1980	Pre-1960
Management Agent	SHP Management Co.	Davenport Associates, Ltd.	Unified Management Trust, LLC	Clarkin Management
Location	Lincoln	Providence	Cranston	Coventry
Development Cost	\$7,714,559	\$2,977,159	\$6,374,000	\$4,337,003
Mortgage Loan Amount	\$4,500,000	\$500,000 (1 st Mortgage); \$2,477,157 (2 nd Mortgage)	\$4,040,000 (1 st Mortgage); \$263,000 (2 nd Mortgage)	\$2,403,000
Outstanding Loan Balance as of 06/30/07	\$4,483,620	\$491,823 (1 st Mortgage); \$2,434,415 (2 nd Mortgage)	\$3,925,100 (1 st Mortgage); \$0 (2 nd Mortgage)	\$2,403,000
Dwelling Units	120	100	127	187 Sites
Type of Units	Elderly	Elderly	Elderly	Mobile Home Elderly/Family
Subsidized Units %	100%	100%	100%	0%
Type of Subsidy Program	Section 8	Section 8	Section 8	Not Applicable
HAP Expiration*	March, 2011	June, 2008	September, 2010	Not Applicable
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	January, 2037; prepayment option at September, 2019	February, 2040	July, 2034	June, 2037
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	None
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

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

Development Name	Ramblewood Estates	South Winds Apartments	Saint Elizabeth Place	Beachwood Apartments
Bond Issue	2004 Series A	2004 Series A	2004 Series A	2004 Series B
Mortgagor	Maple Root Corporation	Southwinds Preservation Associations Limited Partnership	Saint Elizabeth Assisted Living, Inc.	Beachwood Preservation Assoc. L.P.
Date of Completion	Pre-1975	1980	1984	1978
Management Agent	Clarkin Management	Phoenix Property Management	Saint Elizabeth Community	Preservation Housing Management
Location	Coventry	Narragansett	Providence	Narragansett
Development Cost	\$3,632,321	\$6,679,620	\$7,968,013	\$7,688,140
Mortgage Loan Amount	\$3,042,000	\$3,300,000 (\$300,000 of which was 1 year bridge loan)	\$6,750,000 (1 st Mortgage); \$800,000 (2 nd Mortgage)	\$3,867,178
Outstanding Loan Balance as of 06/30/07	\$3,039,674	\$2,978,077	\$6,714,568 (1 st Mortgage); \$772,212 (2 nd Mortgage)	\$3,845,814
Dwelling Units	200 Sites	48	149	56
Type of Units	Mobile Home Elderly/Family	Elderly/Disabled	Elderly	Elderly
Subsidized Units %	0%	100%	100%	100%
Type of Subsidy Program	Not Applicable	Section 8	Section 8	Section 8
HAP Expiration*	Not Applicable	May, 2024	April, 2023	December, 2024
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	June, 2037	May, 2044	March, 2037	December, 2044
Insurance***	None	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

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

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

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

Development Name	Blackstone Falls	Cherry Hill	Cranberry Pond	Fifty Washington Square
Bond Issue	2004 Series B	2004 Series B	2004 Series B	2004 Series B
Mortgagor	Blackstone Falls Associates, LLC	POAH Cherry Hill LLC	Ferland Corp.	Fifty Square L.P.
Date of Completion	1978	1976	1978	2006
Management Agent	Shoreline Corp.	Preservation Housing Management	Ferland Property Management	Phoenix Property Management
Location	Central Falls	Johnston	Warwick	Newport
Development Cost	\$6,724,397	\$3,961,688	\$5,946,731	\$9,757,174
Mortgage Loan Amount	\$4,833,000	\$1,840,000 (2 nd Mortgage)	\$4,900,000	\$5,000,000; \$4,000,000 was repaid at construction completion
Outstanding Loan Balance as of 06/30/07	\$4,800,657	\$1,826,387 (2 nd Mortgage)	\$4,900,000	\$986,683
Dwelling Units	133	72	97	93
Type of Units	Elderly	Elderly	Elderly/Disabled	Non-Elderly, Disabled
Subsidized Units %	99%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8 & RAP
HAP Expiration*	April, 2025	April, 2025	September, 2024	Not Applicable
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	February, 2009
Mortgage Loan Maturity Date	January, 2045	March, 2045	May, 2047	June, 2036
Insurance***	FHA Risk Share	Not Applicable	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

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

Development Name	Heritage Village I	Newport Heights 2B	Redfern Grove	Charlesgate East
Bond Issue	2004 Series B	2004 Series B	2004 Series B	2005 Series A
Mortgagor	Heritage Village Assoc., L.P. (RI)	Trinity Newport Four Phase Two Limited Partnership	1363 Smith Street L.P.	Charlesgate East Affordable Housing Partners L.P.
Date of Completion	1979	Anticipated April, 2006	1981	1979
Management Agent	Phoenix Property Management	Maloney Properties, Inc.	Craig Management Co.	Davenport Assoc.
Location	N. Kingstown	Newport	East Providence	Providence
Development Cost	\$6,406,098	\$12,300,000	\$3,642,724	\$3,294,184
Mortgage Loan Amount	\$1,300,000 (1 st Mortgage); \$2,200,000 (2 nd Mortgage)	\$6,100,000; \$5,300,000 as repaid at construction completion	\$3,195,100	\$450,000 (1 st Mortgage) \$2,200,000 (2 nd Mortgage)
Outstanding Loan Balance as of 06/30/07	\$1,300,000 (1 st Mortgage) \$2,154,359 (2 nd Mortgage)	\$799,999	\$3,180,804	\$449,039 (1 st Mortgage) \$2,200,000 (2 nd Mortgage)
Dwelling Units	100	47	72	100
Type of Units	Elderly	Family	Elderly	Elderly/Disabled
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration*	August, 2010	December, 2015	July, 2016	May, 2009
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	March, 2037	February, 2047	January, 2037	January, 2047
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status	Fully Rented	Under Construction	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

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

Development Name	Charlesgate South	Water's Edge (f/k/a Driftwood Apartments)	Geneva Plaza	Lonsdale Senior Housing
Bond Issue	2005 Series A	2005 Series A	2005 Series A	2005 Series A
Mortgagor	Charlesgate South Affordable Housing Partners L.P.	POAH Driftwood Apartments, LLC	Geneva Apartments L.P.	Lonsdale Apartments, L.P.
Date of Completion	1982	1971	1983	1978
Management Agent	Davenport Assoc.	Preservation Housing Management	Ferland Property Management	Ferland Property Management
Location	Providence	Narragansett	Pawtucket	Pawtucket
Development Cost	\$5,528,026	\$5,704,835	\$9,559,124	\$8,519,201
Mortgage Loan Amount	\$700,000 (1 st Mortgage) \$3,900,000 (2 nd Mortgage)	\$ 2,900,000 (1 st Mortgage; \$1,015,154 was repaid at construction completion) \$210,154 (2 nd Mortgage)	\$8,200,000	\$5,789,000
Outstanding Loan Balance as of 06/30/07	\$698,505 (1 st Mortgage) \$3,900,000 (2 nd Mortgage)	\$1,883,680 (1 st Mortgage) \$210,154 (2 nd Mortgage)	\$8,200,000	\$5,773,951
Dwelling Units	100	32	149	131
Type of Units	Elderly/Disabled	Family	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	Section 8	Section 8	Section 8	Section 8
HAP Expiration*	January, 2011	October, 2025	April, 2008	May, 2011
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	January, 2047	May, 2047	April, 2037	March, 2037
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

* Scheduled expiration date of Section 8 Housing Assistance Payment Contract.
** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.
*** FHA Risk Share covers only First Mortgages, as applicable.
**** Fully Rented means fully occupied except for normal turnover.

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

Development Name	Newport Heights 3B	Riverside House	Hillside Village	Maple Gardens I
Bond Issue	2005 Series A	2005 Series A	2006 Series A	2006 Series A
Mortgagor	Trinity Newport Four Phase Three L.P.	Willett/Riverside L.P.	Hillside Preservation Associates Limited Partnership	Maple Gardens, LLC
Date of Completion	December, 2006	1983	1991	1970
Management Agent	Maloney Properties	Craig Management	Preservation Housing Management	Winn Management
Location	Newport	East Providence	Providence	North Providence
Development Cost	\$9,211,487	\$2,878,926	\$7,333,417	\$4,548,849
Mortgage Loan Amount	\$5,000,000 (\$4,747,000 was repaid at construction completion)	\$2,495,000	\$3,413,000	\$2,560,000
Outstanding Loan Balance as of 06/30/07	\$252,894	\$2,495,000	\$3,413,000	\$2,560,000
Dwelling Units	27	55	42	90
Type of Units	Family	Elderly/Disabled	Family	Elderly
Subsidized Units %	85.19%	100%	100%	100%
Type of Subsidy Program	ACC/Section 8	Section 8	Section 8	Section 8
HAP Expiration*	HAP covers 3 units; January, 2017	November, 2008	November, 2026	June, 2008
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	June, 2047	March, 2037	July, 2047	November, 2047
Insurance***	Not Applicable	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

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

Development Name	Newport Heights 2A	Omni Friendship	Pocasset Manor	River Edge Village
Bond Issue	2006 Series A	2006 Series A	2006 Series A	2006 Series A
Mortgagor	Trinity Newport Phase Two Limited Partnership	Omni Friendship L.P.	Pocasset Preservation Associates Limited Partnership	Manton/River Associates, L.P.
Date of Completion	2006	1989	1982	1980
Management Agent	Maloney Property Management	Winn Management	Preservation Housing Management	Cornell Management Corp.
Location	Newport	Providence	Providence	Providence
Development Cost	\$19,927,000	\$4,978,374	\$18,684,418	\$6,122,850
Mortgage Loan Amount	\$1,210,000	\$2,500,000 (\$2,050,000 to be paid at construction completion)	\$7,800,000 (\$2,463,000 to be paid upon construction completion)	\$3,130,000
Outstanding Loan Balance as of 06/30/07	\$1,210,000	\$1,900,000	\$7,800,000	\$3,130,000
Dwelling Units	100	51	82	99
Type of Units	Family	Family	Elderly	Elderly
Subsidized Units %	78%	100%	100%	100%
Type of Subsidy Program	LIHTC and PHA	RAP	Section 8	Section 8
HAP Expiration*	Not Applicable	Not Applicable	November, 2026	July, 2026
RAP Expiration**	Not Applicable	October, 2009	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	June, 2047	November, 2047	November, 2047	March 2042
Insurance***	FHA Risk Share	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

Development Name	St. Ann's	Wickford Village	Georgiaville Manor	Harris House Apartments
Bond Issue	2006 Series A	2006 Series A	2007 Series A	2007 Series A
Mortgagor	St Ann's Apartments L.P.	Wickford Village Realty, L.P.	Georgiaville Apartments L.P.	Harris House Partners, LP
Date of Completion	1890s	1976	1981	1980
Management Agent	Ferland Property Management	North Dartmouth Properties, Inc.	Manhattan Housing Specialists	Property Advisory Group, Inc.
Location	Woonsocket	North Kingstown	Smithfield	Cranston
Development Cost	\$5,448,026	\$13,927,939	\$3,549,960	\$9,878,555
Mortgage Loan Amount	\$600,000	\$8,266,794	\$2,640,000	\$7,003,440
Outstanding Loan Balance as of 06/30/07	\$599,035	\$5,412,597	\$2,640,000	\$7,003,440
Dwelling Units	25	129	54	133
Type of Units	Family	Family	Elderly	Elderly
Subsidized Units %	100%	100%	100%	100%
Type of Subsidy Program	LIHTC	Section 8	Section 8	Section 8
HAP Expiration*	Not Applicable	June, 2026	March, 2008	August, 2015
RAP Expiration**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	April, 2037	November, 2047	May, 2048	May, 2043
Insurance***	None	FHA Risk Share	FHA Risk Share	FHA Risk Share
Occupancy Status****	50% occupied; Expected To Be Fully Rented	Fully Rented	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

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

Development Name	Riverside Village	Williams Woods Place
Bond Issue	2007 Series A	2007 Series A
Mortgagor	Riverside Village Limited Partnership	Williams Woods Limited Partnership
Date of Completion	1980	2007
Management Agent	Valley Affordable Housing Corp.	Winn Management
Location	Cumberland	Providence
Development Cost	\$9,093,607	\$14,067,500
Mortgage Loan Amount	\$4,700,000 (\$445,000 to be repaid at construction completion)	\$2,738,000
Outstanding Loan Balance as of 06/30/07	4,700,000	\$2,738,000
Dwelling Units	88	65
Type of Units	Elderly/Disabled	Family
Subsidized Units %	100%	100%
Type of Subsidy Program	Section 8	LIHTC
HAP Expiration*	July, 2010	Not Applicable
RAP Expiration**	Not Applicable	Not Applicable
Mortgage Loan Maturity Date	January, 2046	August, 2047
Insurance***	FHA Risk Share	FHA Risk Share
Occupancy Status****	Fully Rented	Fully Rented

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

** Scheduled expiration date of State of Rhode Island Rental Assistance Program ("RAP") Contract.

*** FHA Risk Share covers only First Mortgages, as applicable.

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

APPENDIX B

**SUMMARY OF OUTSTANDING BOND INDEBTEDNESS
OF RHODE ISLAND HOUSING**

The following table sets forth the original and outstanding amounts of Rhode Island Housing's bonds as of June 30, 2007:

Homeownership Opportunity Bonds	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Series 10-A	09/01/1992	\$ 153,270,000	\$ 2,000,000
Series 15-A	05/01/1994	51,000,000	2,000,000
Series 19-B	01/15/1996	7,055,000	735,000
Series 22-B	01/30/1997	32,685,000	870,000
Series 23	07/01/1997	29,235,000	1,245,000
Series 25-A	09/01/1997	38,375,000	4,695,000
Series 26-B	03/01/1998	39,870,000	11,820,000
Series 27-A	08/01/1998	6,975,000	1,905,000
Series 27-B	08/01/1998	38,025,000	5,380,000
Series 28-A	09/01/1998	20,000,000	5,015,000
Series 29-A	12/01/1998	35,000,000	30,270,000
Series 30-A	03/15/1999	16,795,000	10,620,000
Series 30-B	03/15/1999	28,205,000	3,670,000
Series 31-A	08/01/1999	5,250,000	1,055,000
Series 31-B	08/01/1999	39,750,000	3,995,000
Series 32-B	11/01/1999	31,100,000	4,190,000
Series 34-A	09/01/2000	14,550,000	1,715,000
Series 34-B	09/01/2000	15,450,000	13,760,000
Series 36-A	03/01/2001	16,670,000	8,445,000
Series 36-B	03/01/2001	23,330,000	3,595,000
Series 36-T	03/01/2001	5,000,000	4,000,000
Series 37-A	07/15/2001	15,410,000	8,425,000
Series 37-B	07/15/2001	24,590,000	2,290,000
Series 38-A	12/01/2001	25,000,000	17,000,000
Series 39-A	03/01/2002	7,490,000	3,640,000
Series 39-B	03/01/2002	37,510,000	20,675,000
Series 40-A	09/01/2002	30,000,000	30,000,000
Series 41-A	12/01/2002	9,235,000	8,610,000
Series 41-B	12/01/2002	23,480,000	7,935,000
Series 42-A	03/01/2003	25,000,000	16,875,000
Series 43-A	06/01/2003	20,000,000	14,500,000
Series 44-A	09/24/2003	35,000,000	23,855,000
Series 45-A	11/20/2003	17,900,000	13,015,000
Series 45-B	11/20/2003	27,100,000	20,630,000
Series 46-A	03/18/2004	40,000,000	36,765,000
Series 46-T	03/18/2004	15,000,000	15,000,000
Series 47-A	08/12/2004	9,890,000	8,300,000
Series 47-B	08/12/2004	30,110,000	30,080,000
Series 47-C	08/12/2004	26,130,000	26,130,000
Series 48-A	12/09/2004	10,000,000	8,650,000

Homeownership Opportunity Bonds	<u>Dated</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Series 48-B	12/09/2004	\$ 20,000,000	\$ 19,895,000
Series 48-C	12/09/2004	11,525,000	11,525,000
Series 48-D	12/09/2004	14,530,000	14,530,000
Series 48-T	12/09/2004	15,000,000	15,000,000
Series 49-A	03/23/2005	10,415,000	10,415,000
Series 49-B	03/23/2005	44,585,000	42,680,000
Series 49-C	03/23/2005	11,025,000	11,025,000
Series 50-A	07/28/2005	43,135,000	40,650,000
Series 50-B	07/28/2005	38,365,000	38,365,000
Series 50-C	07/28/2005	32,570,000	32,570,000
Series 51-A	01/19/2006	47,165,000	46,545,000
Series 51-B	01/19/2006	7,605,000	7,515,000
Series 51-C	01/19/2006	3,765,000	3,765,000
Series 51-D	01/19/2006	27,120,000	27,120,000
Series 52-A	06/15/2006	25,000,000	24,795,000
Series 52-B	06/15/2006	25,000,000	25,000,000
Series 53-A	09/13/2006	21,310,000	21,310,000
Series 53-B	09/13/2006	48,690,000	48,415,000
Series 54	11/14/2006	68,085,000	68,085,000
Series 55-A	03/01/2007	10,625,000	10,625,000
Series 55-B	03/01/2007	69,375,000	69,375,000
Series 56-A	06/21/2007	65,000,000	65,000,000
Series 56-T1	06/21/2007	11,000,000	11,000,000
Series 56-B2-T	06/21/2007	4,000,000	4,000,000
Unamortized bond premium			888,693
		<u>\$1,751,325,000</u>	<u>\$1,103,448,693</u>

Multi-Family Housing Bonds

1980 Series A	06/01/1980	\$ 31,515,000	\$ 2,825,000
1985 Series A	11/01/1985	14,274,597	5,115,472
1995 Series A	05/15/1995	147,535,000	4,965,000
1997 Series A	04/15/1997	18,585,000	4,265,000
1998 Series A	04/01/1998	<u>4,510,000</u>	<u>4,035,000</u>
		\$ 216,419,597	\$ 21,205,472

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Housing Bonds

2001 Series A	12/01/2000	\$ 3,800,000	\$ 2,900,000
2001 Series B-1B	11/01/2001	30,355,000	20,875,000
2001 Series B-2T	12/13/2001	18,605,000	4,025,000
2002 Series A	05/01/2002	9,900,000	9,495,000
2003 Series A-1	02/01/2003	11,105,000	7,920,000
2003 Series A-2T	03/12/2003	26,660,000	22,650,000
2003 Series B-1A	08/01/2003	13,655,000	12,540,000
2003 Series B-1B	08/01/2003	3,370,000	3,090,000
2003 Series B-2T	08/20/2003	16,435,000	9,235,000
2003 Series C-1A	12/23/2003	18,265,000	17,665,000
2003 Series C-1B	12/23/2003	2,705,000	1,545,000
2004 Series A-1A	06/17/2004	8,070,000	7,770,000
2004 Series A-1B	06/17/2004	3,595,000	3,270,000
2004 Series A-2T	06/17/2004	13,795,000	13,295,000
2004 Series B-1A	12/29/2004	2,005,000	1,995,000
2004 Series B-1B-1	12/29/2004	22,790,000	13,835,000
2004 Series B-1B-2	12/29/2004	1,090,000	1,065,000
2004 Series B-2T	12/29/2004	9,215,000	9,140,000
2005 Series A-1A	10/20/2005	21,180,000	21,160,000
2005 Series A-1B	10/20/2005	5,235,000	5,235,000
2005 Series A-2T	10/20/2005	7,845,000	7,800,000
2006 Series A-1	12/21/2006	26,785,000	26,785,000
2006 Series A-2T	12/21/2006	4,660,000	4,660,000
2007 Series A-1	05/10/2007	35,775,000	35,775,000
2007 Series A-2T	05/10/2007	7,265,000	7,265,000
Unamortized bond premium, net			<u>279,709</u>
		\$ 324,160,000	\$ 271,269,709

Multi-Family Mortgage Revenue Bonds

1998 Series A	12/18/1998	\$ 2,660,000	\$ 2,300,000
2006 Series (University Heights Project)	03/31/2006	\$ 26,700,000	\$ 26,700,000
2006 Series (Sutterfield Project)	03/31/2006	\$ 7,000,000	\$ 7,000,000
2006 Series (The Groves)	09/21/2006	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
		\$ 71,360,000	\$ 71,000,000

General Obligation Bonds

Series 1997	12/18/1997	\$ 5,000,000	\$ 5,000,000
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TOTAL

\$2,368,264,597 **\$1,471,923,874**

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS FOR
THE YEARS ENDED JUNE 30, 2007 AND 2006**

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

**FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006**



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

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (Rhode Island Housing), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2007 and 2006, which collectively comprise Rhode Island Housing's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rhode Island Housing's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States.

Independent Auditors' Report (Continued)

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hefkaatz, Jan Lintel, Campi & DeGuzot, C.

September 25, 2007

Management's Discussion and Analysis

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

This section of Rhode Island Housing's financial report presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2007 and 2006 and for the years then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the years ended June 30, 2007 and 2006 increased (decreased) from the previous year as follows:

	<u>2007</u>		<u>2006</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
• Mortgage loans	316.8	28.7	123.6	12.6
• Investments	(108.8)	(22.6)	(135.1)	(21.9)
• Cash and cash equivalents	37.7	18.1	(27.0)	(11.5)
• Total assets	255.4	14.2	(51.3)	(2.8)
• Bonds and notes payable	239.0	18.5	(68.2)	(5.0)
• Total fund equity	11.7	4.2	17.2	6.6
• Total revenues	13.7	15.5	(1.9)	(2.1)
• Total expenses	5.9	7.0	2.6	3.1
• Operating income	7.8	201.0	(4.4)	(53.4)
• Special item, gain on sale of assets, net	--	--	13.3	100.0

Overview of the Financial Statements

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

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

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

Operating Activity of the Corporation

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

For the years ended June 30, 2007 and 2006 (in thousands):

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Revenues:			
Interest income on loans	\$ 68,558	\$ 57,800	18.6%
Interest on investments	24,015	25,806	(6.9)
Other	<u>8,980</u>	<u>8,300</u>	<u>8.2</u>
Total revenues	<u>101,553</u>	<u>91,906</u>	<u>10.5</u>
Expenses:			
Interest expense	63,299	57,558	10.0
Provision for loan losses	197	1,966	(90.0)
Amortization of deferred bond issuance costs	802	966	(17.0)
Early retirement of debt	355	1,308	(72.9)
Operating expenses	18,198	16,020	13.6
Other	<u>7,660</u>	<u>6,763</u>	<u>13.3</u>
Total expenses	<u>90,511</u>	<u>84,581</u>	<u>7.0</u>
Operating income, before adjusting investments to fair value	<u>\$11,042</u>	<u>\$ 7,325</u>	<u>50.7%</u>

For the years ended June 30, 2006 and 2005 (in thousands):

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Revenues:			
Interest income on loans	\$ 57,800	\$ 55,406	4.3%
Interest on investments	25,806	24,676	4.6
Other	<u>8,300</u>	<u>5,951</u>	<u>39.5</u>
Total revenues	<u>91,906</u>	<u>86,033</u>	<u>6.8</u>
Expenses:			
Interest expense	57,558	55,124	4.4
Provision for loan losses	1,966	106	1,754.7
Amortization of deferred bond issuance costs	966	1,088	(11.2)
Early retirement of debt	1,308	1,542	(15.2)
Operating expenses	16,020	16,192	(1.1)
Other	<u>6,763</u>	<u>7,947</u>	<u>(14.9)</u>
Total expenses	<u>84,581</u>	<u>81,999</u>	<u>3.1</u>
Operating income, before adjusting investments to fair value	<u>\$ 7,325</u>	<u>\$ 4,034</u>	<u>81.6%</u>

Operating income, after adjusting investments to fair value, was \$11.7 million for the year ended June 30, 2007 (2007), \$3.9 million for the year ended June 30, 2006 (2006), and \$8.3 million for the year ended June 30, 2005 (2005). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$600 thousand in 2007, compared to a decrease of \$3.4 million in 2006. Operating income, excluding the unrealized gains and losses on investments, increased 50.7% in 2007 to \$11.0 million from \$7.3 million in 2006, which had increased 81.6% from \$4.0 million in 2005. The increase from 2006 to 2007 was primarily due to an increase in net interest income.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income increased 12.4% from \$26.0 million in 2006 to \$29.3 million in 2007, as compared to a 4.4% increase in 2006 from \$25.0 million in 2005. Interest income on loans increased \$10.8 million in 2007 and \$2.4 million in 2006. The improvement in 2007 resulted from the increase in average loans outstanding caused by higher loan production levels and a slowdown from historically high single-family mortgage prepayment rates. Interest income on investments decreased \$1.8 million in 2007 due to a smaller portfolio. Net interest income as a percentage of average bonds and notes payable was 2.07% in 2007 and 1.96% in 2006, respectively. The interest income on loans decreased from 5.54% in 2006 to 5.43% in 2007, while interest expense on bonds and notes increased from 4.34% in 2006 to 4.48% in 2007, causing a net decrease in the spread margin (i.e., differential between loans and bonds) from 1.21% in 2006 to .95% in 2007. This reflects the narrowing of margins between loans and bonds caused by yield compression and competitive factors.

Operating expenses associated with the operation of the Corporation amounted to \$18.2 million in 2007, up 13.6% from \$16.0 million in 2006. Salary and fringe benefits increased by approximately 5.37%, or \$.5 million, from 2006 to 2007. Arbitrage rebate expense increased \$.8 million during 2007 compared to 2006.

The provision for loan losses decreased from \$2.0 million in 2006 to \$.2 million in 2007 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics.

In March 2006, University Heights Housing Corporation sold its land and building, and the Corporation sold certain other real estate owned, to an unrelated party and recognized a one-time net gain totaling \$13,304,705.

Financial Analysis of the Corporation

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

June 30, 2007 and 2006 (in millions):

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Loans receivable	\$1,421	\$1,105	28.7 %
Investments	372	481	(22.6)
Cash and cash equivalents	246	208	18.1
Other assets	19	17	13.4
Total assets	2,048	1,793	14.2
Bonds and notes payable	1,532	1,293	18.5
Total liabilities	1,758	1,514	16.1
Fund equity:			
Invested in capital assets	10	10	-
Restricted	179	169	5.9
Unrestricted	101	100	1.0

June 30, 2006 and 2005 (in millions):

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Loans receivable	\$1,105	\$ 981	12.6 %
Investments	481	616	(21.9)
Cash and cash equivalents	208	235	(11.5)
Other assets	17	27	(39.2)
Total assets	1,793	1,844	(2.8)
Bonds and notes payable	1,293	1,361	(5.0)
Total liabilities	1,514	1,583	(4.3)
Fund equity:			
Invested in capital assets	10	20	(50.0)
Restricted	169	164	3.0
Unrestricted	100	77	29.9

Total assets of the Corporation increased 14.2% from June 30, 2006 to \$2.0 billion as of June 30, 2007, as compared to a 2.8% decrease from 2005 to 2006. Total loans receivable increased \$316.8 million or 28.7% from the previous year to \$1.421 billion as of June 30, 2007. Bonds and notes payable totaled \$1.53 billion as of June 30, 2007, an increase of \$239.0 million or 18.5% from June 30, 2006, which had decreased \$68.2 million or 5.0% from June 30, 2005. During 2007, \$298.1 million of bonds were issued to fund single-family loans and \$110.0 million were issued to fund multi-family loans. The Corporation redeemed \$27.8 million of single-family bonds and \$6.2 million of multi-family bonds prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2007 and June 30, 2006, the equity-to-asset ratio was 14.2% and 15.6% and the loan-to-asset ratio was 69.4% and 61.6%, respectively. These figures reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2007 and 2006, single-family residential mortgages in bond resolutions totaled \$931.7 million and \$696.4 million and multi-family loans in bond resolutions totaled \$328.9 million and \$245.8 million, respectively.

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

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

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Chief Financial Officer, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rihousing.com.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Balance Sheets
June 30, 2007 and 2006

	Operating Fund		Single-Family Fund	
	2007	2006	2007	2006
Assets				
Loans receivable	\$ 160,783,257	\$ 162,356,016	\$ 931,670,427	\$ 696,398,556
Less: allowance for loan losses	(27,498,897)	(29,696,741)	(3,394,644)	(3,411,472)
Loans receivable, net	133,284,360	132,659,275	928,275,783	692,987,084
Investments	133,884,584	164,011,464	188,087,654	255,907,221
Accrued interest-loans	242,846	346,333	3,480,544	3,079,347
Accrued interest-investments	75,197	139,007	2,108,822	2,850,992
Cash and cash equivalents	92,014,811	92,858,593	104,462,905	83,727,876
Accounts receivable	4,380,599	708,277		86,230
Deferred bond issuance costs, net	8,604	15,056	8,552,062	6,658,953
Other assets, net	16,175,500	15,029,291	2,614,918	1,535,580
Interfund receivable (payable)	230,480	(910,770)		1,232,040
Total assets	\$ 380,296,981	\$ 404,856,526	\$ 1,237,582,688	\$ 1,048,065,323
Liabilities and Fund Equity				
Bonds and notes payable	\$ 65,096,553	\$ 83,000,000	\$ 1,103,448,693	\$ 927,820,962
Accrued interest payable on bonds and notes	264,566	317,979	12,042,225	10,380,849
Accounts payable and accrued liabilities	6,200,640	7,455,000	1,451,671	1,272,199
Deferred fees	5,883,447	4,925,517	203,106	
Escrow deposits	183,333,325	187,923,137		
Total liabilities	260,778,531	283,621,633	1,117,145,695	939,474,010
Commitments and contingencies				
Fund equity:				
Invested in capital assets	10,132,160	9,951,294		
Restricted	8,335,919	11,357,037	120,436,993	108,591,313
Unrestricted	101,050,371	99,926,562		
Total fund equity	119,518,450	121,234,893	120,436,993	108,591,313
Total liabilities and fund equity	\$ 380,296,981	\$ 404,856,526	\$ 1,237,582,688	\$ 1,048,065,323

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Balance Sheets, Continued
June 30, 2007 and 2006

	Multi-Family Fund		Totals	
	2007	2006	2007	2006
Assets				
Loans receivable	\$ 328,896,218	\$ 245,763,871	\$ 1,421,349,902	\$ 1,104,518,443
Less: allowance for loan losses			(30,893,541)	(33,108,213)
Loans receivable, net	<u>328,896,218</u>	<u>245,763,871</u>	<u>1,390,456,361</u>	<u>1,071,410,230</u>
Investments	49,931,092	60,756,308	371,903,330	480,674,993
Accrued interest-loans	1,804,012	1,475,845	5,527,402	4,901,525
Accrued interest-investments	312,692	286,365	2,496,711	3,276,364
Cash and cash equivalents	49,438,675	31,669,435	245,916,391	208,255,904
Accounts receivable			4,380,599	794,507
Deferred bond issuance costs, net	273,612	384,147	8,834,278	7,058,156
Other assets, net			18,790,418	16,564,871
Interfund receivable (payable)	(230,480)	(321,270)	-	-
Total assets	<u>\$ 430,425,821</u>	<u>\$ 340,014,701</u>	<u>\$ 2,048,305,490</u>	<u>\$ 1,792,936,550</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 363,475,181	\$ 282,199,574	\$ 1,532,020,427	\$ 1,293,020,536
Accrued interest payable on bonds and notes	3,960,674	3,780,221	16,267,465	14,479,049
Accounts payable and accrued liabilities	631,833	622,766	8,284,144	9,349,965
Deferred fees			6,086,553	4,925,517
Escrow deposits	11,850,005	4,445,399	195,183,330	192,368,536
Total liabilities	<u>379,917,693</u>	<u>291,047,960</u>	<u>1,757,841,919</u>	<u>1,514,143,603</u>
Commitments and contingencies				
Fund equity:				
Invested in capital assets			10,132,160	9,951,294
Restricted	50,508,128	48,966,741	179,281,040	168,915,091
Unrestricted			101,050,371	99,926,562
Total fund equity	<u>50,508,128</u>	<u>48,966,741</u>	<u>290,463,571</u>	<u>278,792,947</u>
Total liabilities and fund equity	<u>\$ 430,425,821</u>	<u>\$ 340,014,701</u>	<u>\$ 2,048,305,490</u>	<u>\$ 1,792,936,550</u>

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Revenues, Expenses and Changes in Fund Equity
For the years ended June 30, 2007 and 2006

	Operating Fund		Single-Family Fund	
	2007	2006	2007	2006
Operating revenues:				
Interest income on loans	\$ 5,047,703	\$ 4,713,315	\$ 43,278,030	\$ 35,320,330
Interest income attributable to internal servicing activities	2,113,338	1,788,736		
Total interest income on loans	7,161,041	6,502,051	43,278,030	35,320,330
Income on investments:				
Interest on investments	5,911,847	5,794,472	13,350,412	15,205,968
Net increase (decrease) in fair value of investments	543,826	(1,147,339)	(67,722)	(570,302)
Fees	5,297,087	4,976,003		
Servicing fee income	2,216,673	1,614,165		
Miscellaneous income	1,465,766	1,709,725	26	183
Total operating revenues	22,596,240	19,449,077	56,560,746	49,956,179
Operating expenses:				
Interest expense	3,963,422	4,137,304	43,663,554	39,065,377
Personnel services	11,744,831	10,908,281		
Other administrative expenses	4,379,899	3,099,863		
Housing initiatives	3,172,415	3,057,863	9,863	7,027
Provision for loan losses	197,120	1,966,128		
Arbitrage rebate			384,469	279,793
Amortization of deferred bond issuance costs	6,452	6,452	741,059	866,777
Early retirement of debt			299,493	1,135,097
Depreciation and amortization of other assets	1,590,672	1,518,281	195,778	260,632
State Rental Subsidy Program	3,957,862	3,995,274		
Total operating expenses	29,012,673	28,689,446	45,294,216	41,614,703
Operating income (loss)	(6,416,433)	(9,240,369)	11,266,530	8,341,476
Gain on sale of assets, net		13,304,705		
Transfers in (out) of fund equity	4,699,990	3,500,951	579,150	416,313
Change in fund equity	(1,716,443)	7,565,287	11,845,680	8,757,789
Fund equity, beginning of year	121,234,893	113,669,606	108,591,313	99,833,524
Fund equity, end of year	\$ 119,518,450	\$ 121,234,893	\$ 120,436,993	\$ 108,591,313

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Revenues, Expenses and Changes in Fund Equity, Continued
For the years ended June 30, 2007 and 2006

	Multi-Family Fund		Totals	
	2007	2006	2007	2006
Operating revenues:				
Interest income on loans	\$ 18,118,758	\$ 15,977,776	\$ 66,444,491	\$ 56,011,421
Interest income attributable to internal servicing activities			2,113,338	1,788,736
Total interest income on loans	18,118,758	15,977,776	68,557,829	57,800,157
Income on investments:				
Interest on investments	4,753,115	4,805,461	24,015,374	25,805,901
Net increase (decrease) in fair value of investments	153,121	(1,730,451)	629,225	(3,448,092)
Fees			5,297,087	4,976,003
Servicing fee income			2,216,673	1,614,165
Miscellaneous income			1,465,792	1,709,908
Total operating revenues	23,024,994	19,052,786	102,181,980	88,458,042
Operating expenses:				
Interest expense	15,672,140	14,355,635	63,299,116	57,558,316
Personnel services			11,744,831	10,908,281
Other administrative expenses	286,571	233,463	4,666,470	3,333,326
Housing initiatives			3,182,278	3,064,890
Provision for loan losses			197,120	1,966,128
Arbitrage rebate	135,221	(577,625)	519,690	(297,832)
Amortization of deferred bond issuance costs	54,696	92,272	802,207	965,501
Early retirement of debt	55,839	173,248	355,332	1,308,345
Depreciation and amortization of other assets			1,786,450	1,778,913
State Rental Subsidy Program			3,957,862	3,995,274
Total operating expenses	16,204,467	14,276,993	90,511,356	84,581,142
Operating income (loss)	6,820,527	4,775,793	11,670,624	3,876,900
Gain on sale of assets, net			-	13,304,705
Transfers in (out) of fund equity	(5,279,140)	(3,917,264)	-	-
Change in fund equity	1,541,387	858,529	11,670,624	17,181,605
Fund equity, beginning of year	48,966,741	48,108,212	278,792,947	261,611,342
Fund equity, end of year	\$ 50,508,128	\$ 48,966,741	\$ 290,463,571	\$ 278,792,947

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows
For the years ended June 30, 2007 and 2006

	Operating Fund		Single-Family Fund	
	2007	2006	2007	2006
Cash flows from operating activities:				
Interest on loans receivable	\$ 7,264,529	\$ 6,523,387	\$ 42,877,861	\$ 35,061,723
Repayment of loans receivable	289,972,597	147,511,513	61,994,676	93,233,929
Fees collected	8,471,690	7,518,638	203,106	
Other receipts (disbursements), net	(3,124,047)	117,811,046	26	183
Loans disbursed	(288,399,839)	(168,062,487)	(297,266,548)	(168,141,990)
Accounts receivable, net	(3,672,322)	583,114	86,230	(6,588)
Loss on loans receivable	(2,394,964)	(619,166)	(16,827)	
Bond issuance costs			(2,933,661)	(2,114,764)
Personnel services	(11,744,831)	(10,908,281)		
Other administrative expenses	(4,379,899)	(3,099,863)		
Housing initiative expenses	(3,172,415)	(3,057,863)	(9,863)	(7,027)
Other assets	(2,736,882)	(2,070,166)	(1,276,144)	(726,377)
Arbitrage rebate			(384,469)	(279,793)
Accounts payable and accrued liabilities	(1,254,360)	(2,143,513)	179,472	(1,775,371)
State Rental Subsidy Program	(3,957,862)	(3,995,274)		
Transfers from (to) other programs	3,558,741	1,254,107	1,811,190	2,441,887
Net cash provided by (used for) operating activities	<u>(15,569,864)</u>	<u>87,245,192</u>	<u>(194,734,951)</u>	<u>(42,314,188)</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of bonds and notes	168,100,000	98,000,000	298,085,000	249,725,000
Payment of bond and note principal	(186,003,447)	(147,000,000)	(122,457,269)	(275,715,528)
Interest paid on bonds and notes	(4,016,834)	(4,168,098)	(42,002,179)	(38,471,296)
Net cash provided by (used for) noncapital financing activities	<u>(21,920,281)</u>	<u>(53,168,098)</u>	<u>133,625,552</u>	<u>(64,461,824)</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of assets		25,000,000		
Cash flows from investing activities:				
Redemption of investments	120,934,412	49,780,841	95,845,937	215,522,068
Income on investments	5,975,657	5,813,092	14,092,583	15,417,744
Purchase of investments	(90,263,706)	(86,420,943)	(28,094,092)	(102,580,289)
Net cash provided by (used for) investing activities	<u>36,646,363</u>	<u>(30,827,010)</u>	<u>81,844,428</u>	<u>128,359,523</u>
Net increase (decrease) in cash and cash equivalents	(843,782)	28,250,084	20,735,029	21,583,511
Cash and cash equivalents at beginning of year	<u>92,858,593</u>	<u>64,608,509</u>	<u>83,727,876</u>	<u>62,144,365</u>
Cash and cash equivalents at end of year	<u>\$ 92,014,811</u>	<u>\$ 92,858,593</u>	<u>\$ 104,462,905</u>	<u>\$ 83,727,876</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2007 and 2006

	Multi-Family Fund		Totals	
	2007	2006	2007	2006
Cash flows from operating activities:				
Interest on loans receivable	\$ 17,790,592	\$ 15,995,404	\$ 67,932,982	\$ 57,580,514
Repayment of loans receivable	21,778,046	39,103,511	373,745,319	279,848,953
Fees collected			8,674,796	7,518,638
Other receipts (disbursements), net	7,404,606	(112,640,999)	4,280,585	5,170,230
Loans disbursed	(104,910,392)	(67,275,204)	(690,576,779)	(403,479,681)
Accounts receivable, net			(3,586,092)	576,526
Loss on loans receivable			(2,411,791)	(619,166)
Bond issuance costs			(2,933,661)	(2,114,764)
Personnel services			(11,744,831)	(10,908,281)
Other administrative expenses	(286,571)	(233,463)	(4,666,470)	(3,333,326)
Housing initiative expenses			(3,182,278)	(3,064,890)
Other assets			(4,013,026)	(2,796,543)
Arbitrage rebate	(135,221)	577,625	(519,690)	297,832
Accounts payable and accrued liabilities	9,067	(1,232,689)	(1,065,821)	(5,151,573)
State Rental Subsidy Program			(3,957,862)	(3,995,274)
Transfers from (to) other programs	(5,369,931)	(3,695,994)	-	-
Net cash provided by (used for) operating activities	(63,719,804)	(129,401,809)	(274,024,619)	(84,470,805)
Cash flows from noncapital financing activities:				
Proceeds from sale of bonds and notes	109,985,689	67,960,000	576,170,689	415,685,000
Payment of bond and note principal	(28,710,082)	(61,150,689)	(337,170,798)	(483,866,217)
Interest paid on bonds and notes	(15,491,689)	(14,486,095)	(61,510,702)	(57,125,489)
Net cash provided by (used for) noncapital financing activities	65,783,918	(7,676,784)	177,489,189	(125,306,706)
Cash flows from capital and related financing activities:				
Proceeds from sale of assets			-	25,000,000
Cash flows from investing activities:				
Redemption of investments	27,430,270	97,083,265	244,210,619	362,386,174
Income on investments	4,726,789	4,878,338	24,795,029	26,109,174
Purchase of investments	(16,451,933)	(41,702,780)	(134,809,731)	(230,704,012)
Net cash provided by (used for) investing activities	15,705,126	60,258,823	134,195,917	157,791,336
Net increase (decrease) in cash and cash equivalents	17,769,240	(76,819,770)	37,660,487	(26,986,175)
Cash and cash equivalents at beginning of year	31,669,435	108,489,205	208,255,904	235,242,079
Cash and cash equivalents at end of year	\$ 49,438,675	\$ 31,669,435	\$ 245,916,391	\$ 208,255,904

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2007 and 2006

	Operating Fund		Single-Family Fund	
	2007	2006	2007	2006
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,416,433)	\$ (9,240,369)	\$ 11,266,530	\$ 8,341,476
Adjustments:				
Income on investments	(5,975,657)	(5,813,092)	(14,092,583)	(15,417,744)
Net (increase) decrease in fair value of investments	(543,826)	1,147,339	67,722	570,302
Interest paid on bonds and notes	4,016,834	4,168,098	42,002,179	38,471,296
Transfer of investments and/or fund equity	4,699,990	3,500,951	579,150	416,313
Change in assets and liabilities:				
(Increase) decrease in Loans receivable/Loss allowance	(625,085)	(19,204,012)	(235,288,699)	(74,908,061)
(Increase) decrease in Accrued Interest-Loans	103,487	21,335	(400,170)	(258,607)
(Increase) decrease in Accrued Interest-Investments	63,810	18,620	742,170	211,776
(Increase) decrease in Accounts Receivable	(3,672,322)	583,114	86,230	(6,588)
(Increase) decrease in Deferred bond issuance costs	6,452	6,452	(1,893,109)	(112,890)
(Increase) decrease in Other Assets	(1,146,209)	(551,885)	(1,080,365)	(465,745)
(Increase) decrease in Interfund receivable (payable)	(1,141,250)	(2,246,844)	1,232,040	2,025,574
Increase (decrease) in Accrued Interest-Bonds and Notes	(53,413)	(30,793)	1,661,376	594,081
Increase (decrease) in Accounts Payable/Accrued Liabilities	(1,254,360)	(2,143,513)	179,472	(1,775,371)
Increase (decrease) in Deferred Fees	957,930	928,471	203,106	
Increase (decrease) in Escrow Deposits	(4,589,812)	116,101,320		
Total adjustments	(9,153,431)	96,485,561	(206,001,481)	(50,655,664)
Net cash provided by (used for) operating activities	\$ (15,569,864)	\$ 87,245,192	\$ (194,734,951)	\$ (42,314,188)

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2007 and 2006

	Multi-Family Fund		Totals	
	2007	2006	2007	2006
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 6,820,527	\$ 4,775,793	\$ 11,670,624	\$ 3,876,900
Adjustments:				
Income on investments	(4,726,789)	(4,878,338)	(24,795,029)	(26,109,174)
Net (increase) decrease in fair value of investments	(153,121)	1,730,451	(629,225)	3,448,092
Interest paid on bonds and notes	15,491,689	14,486,095	61,510,702	57,125,489
Transfer of investments and/or fund equity	(5,279,140)	(3,917,264)	-	-
Change in assets and liabilities:				
(Increase) decrease in Loans receivable/Loss allowance	(83,132,347)	(28,171,693)	(319,046,131)	(122,283,766)
(Increase) decrease in Accrued Interest-Loans	(328,167)	17,627	(624,850)	(219,645)
(Increase) decrease in Accrued Interest-Investments	(26,327)	72,878	779,653	303,274
(Increase) decrease in Accounts Receivable			(3,586,092)	576,526
(Increase) decrease in Deferred bond issuance costs	110,535	265,520	(1,776,122)	159,082
(Increase) decrease in Other Assets			(2,226,574)	(1,017,630)
(Increase) decrease in Interfund receivable (payable)	(90,790)	221,270	-	-
Increase (decrease) in Accrued Interest-Bonds and Notes	180,453	(130,460)	1,788,416	432,828
Increase (decrease) in Accounts Payable/Accrued Liabilities	9,067	(1,232,689)	(1,065,821)	(5,151,573)
Increase (decrease) in Deferred Fees			1,161,036	928,471
Increase (decrease) in Escrow Deposits	7,404,606	(112,640,999)	2,814,794	3,460,321
Total adjustments	<u>(70,540,331)</u>	<u>(134,177,602)</u>	<u>(285,695,243)</u>	<u>(88,347,705)</u>
Net cash provided by (used for) operating activities	\$ <u>(63,719,804)</u>	\$ <u>(129,401,809)</u>	\$ <u>(274,024,619)</u>	\$ <u>(84,470,805)</u>

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Assets - Private Purpose Trust Component Unit
June 30, 2007 and 2006

	<u>Affordability Housing Trust</u>	
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Loans receivable	\$ 19,049,532	\$ 15,424,281
Less: allowance for loan losses		
Loans receivable, net	<u>19,049,532</u>	<u>15,424,281</u>
Investments	3,199,689	10,631,796
Accrued interest-loans	5,651	4,242
Accrued interest-investments	30,365	56,918
Cash and cash equivalents	26,849,779	19,613,523
Accounts receivable	1,823,594	
Other assets, net	<u>7,439,400</u>	<u>8,146,930</u>
Total assets	<u>58,398,010</u>	<u>53,877,690</u>
<u>Liabilities</u>		
Deferred fees	1,849,340	1,846,413
Escrow Deposits	<u>(1,941)</u>	<u>3,082</u>
Total liabilities	<u>1,847,399</u>	<u>1,849,495</u>
Commitments and contingencies		
<u>Net Assets</u>		
Held in trust	<u>\$ 56,550,611</u>	<u>\$ 52,028,195</u>

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Assets - Private Purpose Trust Component Unit
For the years ended June 30, 2007 and 2006

	<u>Affordability Housing Trust</u>	
	<u>2007</u>	<u>2006</u>
Additions:		
Interest income on loans	\$ 391,112	\$ 299,004
Income on investments:		
Interest on investments	1,333,192	969,538
Net increase (decrease) in fair value of investments	141,053	(114,735)
Trust receipts	2,488,021	555,218
Fees	<u>7,656</u>	<u>1,159,715</u>
Total additions	<u>4,361,034</u>	<u>2,868,740</u>
Deductions:		
Personnel services		
Other administrative expenses		
Provision for loan losses	<u>(161,382)</u>	<u>(79,187)</u>
Total deductions	<u>(161,382)</u>	<u>(79,187)</u>
Change in net assets	4,522,416	2,947,927
Net assets - beginning of year	<u>52,028,195</u>	<u>49,080,268</u>
Net assets - end of year	<u>\$ 56,550,611</u>	<u>\$ 52,028,195</u>

See accompanying notes to financial statements.

Rhode Island Housing and Mortgage Finance Corporation

(A Component Unit of the State of Rhode Island)

Notes to Financial Statements

June 30, 2007 and 2006

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

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

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

The Corporation is exempt from federal and state income taxes.

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

b. Affordability Housing Trust

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

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

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

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with special regulations, restrictions, or limitations. Substantially all interfund activity has been removed from the totals column in the accompanying financial statements.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions and the provision for loan losses for all funds, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's three separate subsidiaries: University Heights Housing Corporation, Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. Property and land owned by University Heights Housing Corporation was sold in March 2006. For the fiscal year 2006, net operating income (loss), before interest expense, of that subsidiary is included in miscellaneous income; interest expense incurred by University Heights Housing Corporation was eliminated in consolidation by classifying such interest expense as a reduction of interest income in the Corporation's Operating Fund. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt theretofore issued for such purpose.

On March 31, 2006, University Heights Housing Corporation sold its land and building, and the Corporation sold certain other real estate owned, to an unrelated party and recognized a net gain totaling \$13,304,705 which has been reported as a special item in the 2006 statement of revenues, expenses and changes in fund equity.

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

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The Corporation applies all pronouncements of GASB, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Corporation has elected not to apply all FASB pronouncements and interpretations issued after November 30, 1989.

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

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

d. Investments

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

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable guaranteed investment contracts and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB Statement No. 31. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in fund equity and in the Trust's statement of changes in fiduciary net assets.

e. Fees Earned

The Corporation charges financing fees to mortgagors. Fees generally are capitalized and amortized into income over the expected life of the related mortgage loans.

f. Amortization of Bond Premiums and Discounts

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

g. Bond Issuance Costs

Costs relating to issuing bonds are capitalized and are amortized using a method that approximates the interest method over the life of the related bonds or to the date the Corporation has the option to redeem the bonds. In addition, when refinancing debt, the unamortized costs associated with the refinanced bond continue to be capitalized and amortized over the shorter of the life of the old or new bonds.

h. Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. Contributions to the Plan for the years ended June 30, 2007 and 2006 totaled \$757,939 and \$719,368, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

i. Cash and Cash Equivalents

Deposits held in banks and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less, are considered cash and cash equivalents.

j. Loans Receivable and Allowance for Loan Losses

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

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

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

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

making the evaluation. The Corporation records the provision for loan losses in the Operating Fund and has historically transferred a portion of the allowance for loan losses to its other funds.

k. Early Retirement of Debt

The Corporation periodically retires bonds prior to their redemption date. Deferred bond issuance costs, along with any premium paid on the call, are reported in the statement of revenues, expenses and changes in fund equity.

l. Use of Estimates

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

m. Other Real Estate Owned

The Corporation states its other real estate owned acquired through or in lieu of foreclosure, which is included in loans receivable for the Single-Family Fund, and in other assets for the Operating Fund totaling approximately \$3,221,000 and \$3,183,000 at June 30, 2007 and 2006, respectively, generally at the lower of cost or fair value at the date of foreclosure. Fair value of such assets is determined based on independent appraisals and other relevant factors. Any write-down to fair value at the time of foreclosure is charged to the allowance for loan losses. A separate valuation allowance is maintained for potential declines in market value and is included in the allowance for loan losses.

n. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and certain loan origination costs. The Corporation has elected to amortize/depreciate loan origination costs and property and equipment on a straight-line basis over their estimated lives.

o. Interest Income on Loans

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

p. Adoption of New Pronouncement

Effective July 1, 2007, the Corporation is required to adopt the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The statement requires the Corporation to recognize the cost of benefits in periods when the related employment services are received and provide information about actuarial accrued liabilities associated with the benefits and whether and to what extent those benefits have been funded. The effect of GASB Statement No. 45 on the Corporation's financial statements for the year ended June 30, 2008 has not yet been determined.

2. Fund Equity

The Corporation treats all fund equity amounts associated with its bond resolutions as restricted fund equity. Under the bond indentures relevant to these programs, all loans and securities (except Rebate Escrows, of which there are none outstanding) assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation believes that it is prevalent industry practice to consider all such fund equity amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. At June 30, 2007 and 2006, restricted fund equity in the Operating Fund, comprised of the amount of loans required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, totaled \$8,335,919 and \$11,357,037, respectively.

For the years ended June 30, 2007 and 2006, transfers in (out) of fund equity principally represented funds from various bond issues or checking accounts that were no longer required to be maintained in their respective funds and therefore made available and transferred to the Operating Fund in the amount of \$5,000,000 and \$3,627,879, respectively.

3. Cash and Cash Equivalents and Investments

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

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

Cash and cash equivalents of Rhode Island Housing were exposed to custodial credit risk at June 30, 2007 and 2006 as follows:

		<u>June 30, 2007</u>		
	<u>A</u>	<u>C</u>	<u>Insured</u>	<u>Total Bank Balance</u>
Operating Fund	\$ 9,210,065	\$42,731,154	\$540,221	\$ 52,481,440
Single-Family Fund	102,693,039	---	---	102,693,039
Multi-Family Fund	48,641,598	---	---	48,641,598
Trust	<u>22,660,157</u>	<u>4,189,595</u>	---	<u>26,849,752</u>
Subtotal	183,204,859	46,920,749	540,221	230,665,829
Escrows	<u>19,199,898</u>	<u>27,911,487</u>	---	<u>47,111,385</u>
Total	<u>\$202,404,757</u>	<u>\$74,832,236</u>	<u>\$540,221</u>	<u>\$277,777,214</u>

	<u>June 30, 2006</u>			
	<u>A</u>	<u>Category</u>	<u>Insured</u>	<u>Total Bank</u>
		<u>C</u>		<u>Balance</u>
Operating Fund	\$10,259,043	\$31,425,578	\$542,049	\$42,226,670
Single-Family Fund	83,727,876	---	---	83,727,876
Multi-Family Fund	28,714,816	---	---	28,714,816
Trust	<u>16,083,657</u>	<u>3,529,866</u>	---	<u>19,613,523</u>
Subtotal	138,785,392	34,955,444	542,049	174,282,885
Escrows	<u>9,366,390</u>	<u>46,803,576</u>	---	<u>56,169,966</u>
Total	<u>\$148,151,782</u>	<u>\$81,759,020</u>	<u>\$542,049</u>	<u>\$230,452,851</u>

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

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

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

At June 30, 2007 and 2006, all investments in the Operating Fund meet the Board-approved investment policy.

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

At June 30, 2007 and 2006, the distribution of investments by remaining or repricing maturity is as follows:

	<u>June 30, 2007</u>			
	<u>1 year or less</u>	<u>>1 to 5 Years</u>	<u>> 5 Years</u>	<u>Total</u>
Operating Fund:				
United States Government Obligations	\$ <u>46,235,455</u>	<u>---</u>	<u>---</u>	\$ <u>46,235,455</u>
Single-Family Fund:				
United States Agency Obligations	<u>---</u>	661,856	13,144,989	13,806,845
Guaranteed Investment Contracts	<u>97,466,416</u>	<u>31,562,176</u>	<u>45,252,217</u>	<u>174,280,809</u>
Total Single-Family Fund	<u>97,466,416</u>	<u>32,224,032</u>	<u>58,397,206</u>	<u>188,087,654</u>
Multi-Family Fund:				
United States Government Obligations	<u>---</u>	<u>---</u>	79,277	79,277
United States Agency Obligations	2,518,922	1,390,528	19,242,562	23,152,012
Guaranteed Investment Contracts	<u>---</u>	<u>---</u>	<u>26,699,803</u>	<u>26,699,803</u>
Total Multi-Family Fund	<u>2,518,922</u>	<u>1,390,528</u>	<u>46,021,642</u>	<u>49,931,092</u>
Trust:				
United States Agency Obligations	<u>3,199,689</u>	<u>---</u>	<u>---</u>	<u>3,199,689</u>
Subtotal	<u>149,420,482</u>	<u>33,614,560</u>	<u>104,418,848</u>	<u>287,453,890</u>
Escrows *	<u>---</u>	<u>87,649,129</u>	<u>---</u>	<u>87,649,129</u>
Total	<u>\$149,420,482</u>	<u>\$121,263,689</u>	<u>\$104,418,848</u>	<u>\$375,103,019</u>

	<u>June 30, 2006</u>			
	<u>1 year or less</u>	<u>>1 to 5 Years</u>	<u>> 5 Years</u>	<u>Total</u>
Operating Fund:				
United States Government Obligations	\$77,640,678	<u>---</u>	<u>---</u>	\$77,640,678
United States Agency Obligations	<u>3,030,708</u>	<u>---</u>	<u>---</u>	<u>3,030,708</u>
Total Operating Fund	<u>80,671,386</u>	<u>---</u>	<u>---</u>	<u>80,671,386</u>
Single-Family Fund:				
United States Agency Obligations	<u>---</u>	658,350	4,706,566	5,364,916
Guaranteed Investment Contracts	<u>72,323,684</u>	<u>129,028,592</u>	<u>49,190,028</u>	<u>250,542,304</u>
Total Single-Family Fund	<u>72,323,684</u>	<u>129,686,942</u>	<u>53,896,594</u>	<u>255,907,220</u>
Multi-Family Fund:				
United States Government Obligations	<u>---</u>	<u>---</u>	79,277	79,277
United States Agency Obligations	<u>---</u>	3,851,525	14,419,844	18,271,369
Guaranteed Investment Contracts	<u>---</u>	<u>---</u>	<u>42,405,663</u>	<u>42,405,663</u>
Total Multi-Family Fund	<u>---</u>	<u>3,851,525</u>	<u>56,904,784</u>	<u>60,756,309</u>

Trust:				
United States Agency Obligations	<u>7,506,219</u>	<u>3,125,577</u>	<u>---</u>	<u>10,631,796</u>
Subtotal	<u>160,501,289</u>	<u>136,664,044</u>	<u>110,801,378</u>	<u>407,966,711</u>
Escrows *	<u>---</u>	<u>83,340,078</u>	<u>---</u>	<u>83,340,078</u>
Total	<u>\$160,501,289</u>	<u>\$220,004,122</u>	<u>\$110,801,378</u>	<u>\$491,306,789</u>

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

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. There is no minimum rating requirement in the Trust but thus far only AAA investments have been purchased by the Trust. At June 30, 2007 and 2006, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

	<u>June 30, 2007</u>	
<u>Rating</u>	<u>AAA/Aaa</u>	<u>Unrated</u>
<u>Investment</u>	<u>U.S. Agencies</u>	<u>GICs</u>
Operating Fund	---	---
Single-Family Fund	\$13,806,845	\$174,280,808
Multi-Family Fund	23,152,011	26,699,804
Trust	3,199,689	---

	<u>June 30, 2006</u>	
<u>Rating</u>	<u>AAA/Aaa</u>	<u>Unrated</u>
<u>Investment</u>	<u>U.S. Agencies</u>	<u>GICs</u>
Operating Fund	\$3,030,708	---
Single-Family Fund	5,364,916	\$250,542,304
Multi-Family Fund	18,271,369	---
Trust	10,631,796	---

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

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

At June 30, 2007 and 2006, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Although there are no specific concentration policies for percentage maximum investments with respect to the Other Funds, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA rated investments. At June 30, 2007 and 2006, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

<u>Issuer</u>	<u>June 30, 2007</u>		
	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Trust</u>
Federal Farm Credit Bank		\$9,368,556	
Federal Home Loan Bank		10,308,667	\$1,996,260
Federal Home Loan Mortgage Corporation			853,758
Federal National Mortgage Association			349,671
American International Group	\$10,021,232		
Financial Security Assurance	53,122,319		
IXIS Funding Corporation	16,514,267		
MBIA	44,344,098		
HSBC Bank		26,699,804	
XL Asset Funding Company	31,562,176		

<u>Issuer</u>	<u>June 30, 2006</u>		
	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Trust</u>
Federal Farm Credit Bank		\$6,486,956	
Federal Home Loan Bank		8,309,876	\$3,953,760
Federal Home Loan Mortgage Corporation			5,884,705
Federal National Mortgage Association			793,331
Bayerische Landesbank	\$57,477,179		
Financial Security Assurance	72,012,319		
IXIS Funding Corporation	16,466,536		
MBIA	44,344,098		
HSBC Bank		42,405,663	
XL Asset Funding Company	31,562,176		

Custodial Credit Risk for investment securities is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2007 and 2006, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the Other Funds. Most of Rhode Island Housing's investments are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2007 and 2006, there were no investments in any of the Other Funds subject to custodial credit risk.

Certain investments reported at fair value in the accompanying financial statements were purchased at a discount or premium. The difference between the fair value and the amortized cost of such investments at June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Corporation:		
Operating Fund	\$ 379,724	\$ (164,102)
Single-Family Fund	(2,062)	65,660
Multi-Family Fund	<u>(9,408)</u>	<u>(162,528)</u>
	368,254	(260,970)
Affordability Housing Trust	<u>(12,731)</u>	<u>(153,784)</u>
Total	<u>\$ 355,523</u>	<u>\$ (414,754)</u>

4. Bonds and Notes Payable

Generally, interest on all bonds and notes is paid on a semi-annual basis, except for compound interest bonds for which interest is payable at maturity. Bonds and notes are secured by the related loans receivable and investments of the respective programs in which the related bonds and notes payable are recorded. The bonds and notes are also subject to various redemption provisions.

Bonds and notes payable at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Operating Fund Bonds and Notes:		
Federal Home Loan Bank:		
Due 2007 to 2008, interest from 5.12% to 5.31%	\$ 52,000,000	\$ 78,000,000
General Obligation Bonds Series 1997:		
Mandatory tender bonds, due 2008, interest at 4.375%	5,000,000	5,000,000
Note Payable, due 2027, interest at 5.275%	1,096,553	-
Line of Credit, due 2009, interest at 3.00%	<u>7,000,000</u>	<u>-</u>
Total Operating Fund	<u>65,096,553</u>	<u>83,000,000</u>
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	2,000,000	2,000,000

Series 15-A:		
Term bonds, due 2024, interest at 6.85%	2,000,000	2,000,000
Series 19-B:		
Serial bonds, due 2007 to 2008, interest from 5.35% to 5.45%	735,000	1,440,000
Series 21-C:		
Serial bonds, due 2006, interest at 5.35%	-	285,000
Series 22-B:		
Serial bonds, due 2007 to 2008, interest from 5.10% to 5.20%	870,000	2,085,000
Series 23:		
Serial bonds, due 2008 to 2009, interest from 5.25% to 5.35%	1,245,000	1,245,000
Series 25-A:		
Serial bonds, due 2006, interest at 4.75%	-	675,000
Term bonds, due 2016, interest at 4.95%	4,695,000	5,135,000
	<u>4,695,000</u>	<u>5,810,000</u>
Series 26-B:		
Term bonds, due 2026, interest at 5.40%	11,820,000	12,890,000
Series 27-A:		
Serial bonds, due 2013 to 2014, interest from 5.00% to 5.05%	1,905,000	1,905,000
Series 27-B:		
Serial bonds, due 2007 to 2010, interest from 4.75% to 5.05%	3,325,000	4,150,000
Term bonds, due 2012, interest at 5.15%	2,055,000	2,510,000
	<u>5,380,000</u>	<u>6,660,000</u>
Series 28-A:		
Serial bonds, due 2007 to 2012, interest from 4.35% to 4.90%	2,365,000	2,715,000
Term bonds, due 2018 to 2020, interest from 4.65% to 5.15%	2,650,000	2,650,000
	<u>5,015,000</u>	<u>5,365,000</u>
Series 29-A:		
Serial bonds, due 2007 to 2011, interest from 4.35% to 4.75%	3,650,000	4,365,000
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	26,620,000	26,620,000
	<u>30,270,000</u>	<u>30,985,000</u>
Series 30-A:		
Serial bonds, due 2007 to 2012, interest from 4.35% to 4.80%	5,565,000	6,445,000
Term bonds, due 2014 to 2016, interest from 4.90% to 5.00%	5,055,000	5,055,000
	<u>10,620,000</u>	<u>11,500,000</u>
Series 30-B:		
Term bonds, due 2019 to 2030, interest from 5.20% to 5.25%	3,670,000	3,670,000

Series 31-A:		
Serial bonds, due 2012, interest at 5.20%	1,055,000	1,055,000
Series 31-B:		
Serial bonds, due 2007 to 2011, interest from 5.00% to 5.40%	3,995,000	5,120,000
Series 32-B:		
Serial bonds, due 2007 to 2010, interest from 5.15% to 5.45%	4,190,000	5,175,000
Series 33-B:		
Term bonds, due 2022 to 2030, interest from 5.75% to 6.25%	-	21,005,000
Series 34-A:		
Serial bonds, due 2008 to 2011, interest from 4.60% to 4.85%	1,715,000	2,225,000
Series 34-B:		
Term bonds, due 2020 to 2029, interest from 5.375% to 5.85%	13,760,000	13,760,000
Series 36-A:		
Serial bonds, due 2008 to 2013, interest from 4.20% to 4.70%	5,150,000	5,880,000
Term bonds, due 2017, interest at 5.05%	3,295,000	3,295,000
	<u>8,445,000</u>	<u>9,175,000</u>
Series 36-B:		
Term bonds, due 2019, interest at 4.65%	3,595,000	3,700,000
Series 36-T:		
Term bonds, due 2009, interest at 6.45%	4,000,000	5,000,000
Series 37-A:		
Serial bonds, due 2008 to 2012, interest from 4.10% to 4.60%	4,165,000	4,870,000
Term bonds, due 2017, interest at 5.125%	4,260,000	4,260,000
	<u>8,425,000</u>	<u>9,130,000</u>
Series 37-B:		
Term bonds, due 2021, interest at 4.625%	2,290,000	2,530,000
Series 38-A:		
Term bonds, due 2027, interest at 5.50%	17,000,000	17,000,000
Series 39-A:		
Serial bonds, due 2013 to 2015, interest from 4.50% to 4.70%	3,340,000	3,340,000
Term bonds, due 2017, interest at 4.90%	300,000	300,000
	<u>3,640,000</u>	<u>3,640,000</u>

Series 39-B:		
Serial bonds, due 2008 to 2013, interest from 4.05% to 4.75%	4,130,000	4,655,000
Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%	16,545,000	17,850,000
	<u>20,675,000</u>	<u>22,505,000</u>
Series 40-A:		
Serial bonds, due 2011 to 2016, interest from 3.70% to 4.50%	4,705,000	4,705,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	25,295,000	25,295,000
	<u>30,000,000</u>	<u>30,000,000</u>
Series 41-A:		
Serial bonds, due 2008 to 2013, interest from 3.15% to 4.15%	1,855,000	2,030,000
Term bonds, due 2017 to 2031, interest from 4.80% to 5.15%	6,755,000	6,755,000
	<u>8,610,000</u>	<u>8,785,000</u>
Series 41-B:		
Term bonds, due 2022, interest at 5.20%	7,935,000	8,355,000
Series 42-A:		
Serial bonds, due 2008 to 2013, interest from 2.50% to 3.65%	2,945,000	3,360,000
Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%	13,930,000	14,250,000
	<u>16,875,000</u>	<u>17,610,000</u>
Series 43-A:		
Serial bonds, due 2007 to 2017, interest from 1.80% to 3.90%	5,750,000	6,195,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	8,750,000	8,750,000
	<u>14,500,000</u>	<u>14,945,000</u>
Series 44-A:		
Serial bonds, due 2007 to 2013, interest from 2.40% to 4.00%	12,175,000	14,515,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	11,680,000	11,680,000
	<u>23,855,000</u>	<u>26,195,000</u>
Series 44-B:		
Notes, due 2006, interest at 1.85%	-	18,890,000
Series 45-A:		
Serial bonds, due 2008 to 2017, interest from 2.65% to 4.60%	13,015,000	14,115,000
Series 45-B:		
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	20,630,000	21,660,000
Series 45-C:		
Notes, due 2006, interest at 2.30%	-	30,000,000
Series 46-A:		
Serial bonds, due 2007 to 2014, interest from 2.05% to 3.85%	6,065,000	6,820,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	30,700,000	31,430,000
	<u>36,765,000</u>	<u>38,250,000</u>

Series 46-B:		
Notes, due 2007, interest at 2.25%	-	8,230,000
Series 46-C1:		
Notes, due 2007, interest at 2.50%	-	9,890,000
Series 46-C2:		
Notes, due 2007, interest at 1.95%	-	5,025,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 47-A:		
Serial bonds, due 2007 to 2015, interest from 2.55% to 4.10%	6,630,000	7,280,000
Term bonds, due 2017, interest at 4.30%	1,670,000	1,670,000
	<u>8,300,000</u>	<u>8,950,000</u>
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	30,080,000	30,110,000
Series 47-C:		
Notes, due 2007, interest at 2.90%	26,130,000	26,130,000
Series 48-A:		
Serial bonds, due 2007 to 2017, interest from 2.35% to 4.10%	8,650,000	9,335,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,895,000	19,895,000
Series 48-C:		
Notes, due 2007, interest at 4.00%	11,525,000	11,525,000
Series 48-D:		
Notes, due 2007, interest at 4.00%	14,530,000	14,530,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 49-A:		
Serial bonds, due 2012 to 2015, interest from 3.55% to 4.10%	6,310,000	6,310,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000	4,105,000
	<u>10,415,000</u>	<u>10,415,000</u>

Series 49-B:		
Serial bonds, due 2007 to 2012, interest from 3.10% to 4.10%	8,740,000	9,960,000
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	33,940,000	34,120,000
	<u>42,680,000</u>	<u>44,080,000</u>
Series 49-C:		
Notes, due 2008, interest at 4.00%	11,025,000	11,025,000
Series 50-A:		
Serial bonds, due 2007 to 2014, interest from 3.00% to 3.85%	23,380,000	25,350,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	17,270,000	17,270,000
	<u>40,650,000</u>	<u>42,620,000</u>
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 50-C:		
Notes, due 2008, interest at 4.00%	32,570,000	32,570,000
Series 51-A:		
Serial bonds, due 2007 to 2017, interest from 3.25% to 4.125%	17,245,000	17,865,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	29,300,000	29,300,000
	<u>46,545,000</u>	<u>47,165,000</u>
Series 51-B:		
Term bonds, due 2036, interest from 4.875% to 5.00%	7,515,000	7,605,000
Series 51-C:		
Notes, due 2008, interest at 4.50%	3,765,000	3,765,000
Series 51-D:		
Notes, due 2008, interest at 4.50%	27,120,000	27,120,000
Series 52-A:		
Serial bonds, due 2007 to 2018, interest from 3.55% to 4.30%	13,055,000	13,260,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	11,740,000	11,740,000
	<u>24,795,000</u>	<u>25,000,000</u>
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	25,000,000	25,000,000
Series 53-A:		
Serial bonds, due 2010 to 2017, interest from 3.55% to 4.05%	18,160,000	-
Term bonds, due 2034, interest at 4.60%	3,150,000	-
	<u>21,310,000</u>	<u>-</u>

Series 53-B:		
Serial bonds, due 2007 to 2010, interest from 3.75% to 3.95%	6,300,000	-
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	42,115,000	-
	<u>48,415,000</u>	<u>-</u>
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	68,085,000	-
Series 55-A:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000	-
Term bonds, due 2034, interest at 4.50%	2,280,000	-
	<u>10,625,000</u>	<u>-</u>
Series 55-B:		
Serial bonds, due 2007 to 2017, interest from 3.70% to 4.375%	8,730,000	-
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	60,645,000	-
	<u>69,375,000</u>	<u>-</u>
Series 56-A:		
Serial bonds, due 2008 to 2015, interest from 3.95% to 4.65%	5,420,000	-
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	59,580,000	-
	<u>65,000,000</u>	<u>-</u>
Series 56-B1-T:		
Term bonds, due 2012 to 2047, interest from 5.72% to 6.074%	11,000,000	-
Series 56-B2-T:		
Serial bonds, due 2010 to 2014, interest from 5.59% to 5.76%	4,000,000	-
Unamortized bond premium	<u>888,693</u>	<u>1,805,962</u>
Total Single-Family Fund	<u>1,103,448,693</u>	<u>927,820,962</u>

Multi-Family Fund:

Multi-Family Housing Bonds:

1978 Series C:

Term bonds, due 2006, interest at 8.75% - 5,005,000

1979 Series A:

Term bonds, due 2006, interest at 8.625% - 350,000

1980 Series A:

Term bonds, due 2008, interest at 9.50%	2,825,000	2,825,000
1985 Series A:		
Compound interest term bonds, due 2010, interest at 10.125%	5,115,472	6,109,343
1995 Series A:		
Term bonds, due 2007 to 2017, interest from 5.70% to 6.15%	4,965,000	9,310,000
1997 Series A:		
Serial Bonds, due 2007 to 2008, interest from 5.35% to 5.45%	3,030,000	5,735,000
Term bonds, due 2010, interest at 5.60%	1,235,000	2,290,000
	<u>4,265,000</u>	<u>8,025,000</u>
1998 Series A:		
Serial bonds, due 2007 to 2012, interest from 4.75% to 5.10%	485,000	555,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	3,550,000	3,550,000
	<u>4,035,000</u>	<u>4,105,000</u>
Total	<u>21,205,472</u>	<u>35,729,343</u>
Housing Bonds:		
2001 Series A:		
Serial bonds, due 2008 to 2013, interest from 4.75% to 5.15%	1,240,000	1,240,000
Term bonds, due 2007 to 2015, interest from 4.70% to 5.30%	1,660,000	1,825,000
	<u>2,900,000</u>	<u>3,065,000</u>
2001 Series B-1B:		
Serial bonds, due 2007 to 2013, interest from 3.60% to 4.55%	6,720,000	7,460,000
Term bonds, due 2022 to 2031, interest from 5.15% to 5.25%	14,155,000	15,975,000
	<u>20,875,000</u>	<u>23,435,000</u>
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	4,025,000	4,075,000
2002 Series A:		
Serial bonds, due 2007 to 2012, interest from 3.75% to 4.55%	875,000	985,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	8,620,000	8,620,000
	<u>9,495,000</u>	<u>9,605,000</u>
2003 Series A-1:		
Serial bonds, due 2008 to 2013, interest from 2.75% to 4.10%	465,000	525,000
Term bonds, due 2010 to 2035, interest from 2.00% to 4.95%	7,455,000	7,455,000
	<u>7,920,000</u>	<u>7,980,000</u>
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	22,650,000	22,915,000
2003 Series B-1A:		

Serial bonds, due 2008 to 2016, interest from 3.40% to 4.90%	3,440,000	3,810,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	9,100,000	9,100,000
	<u>12,540,000</u>	<u>12,910,000</u>
2003 Series B-1B:		
Serial bonds, due 2008 to 2011, interest from 3.40% to 4.35%	390,000	480,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	2,700,000	2,700,000
	<u>3,090,000</u>	<u>3,180,000</u>
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	9,235,000	9,290,000
2003 Series C-1A:		
Serial bonds, due 2008 to 2014, interest from 2.75% to 4.10%	1,970,000	2,180,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	15,695,000	15,695,000
	<u>17,665,000</u>	<u>17,875,000</u>
2003 Series C-1B:		
Serial bonds, due 2008 to 2014, interest from 2.75% to 4.10%	175,000	190,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	1,370,000	1,370,000
	<u>1,545,000</u>	<u>1,560,000</u>
2004 Series A-1A:		
Serial bonds, due 2007 to 2016, interest from 2.90% to 4.50%	1,450,000	1,565,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	6,320,000	6,335,000
	<u>7,770,000</u>	<u>7,900,000</u>
2004 Series A-1B:		
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,270,000	3,275,000
2004 Series A-2T:		
Term bonds, due 2025 to 2040, interest from 6.10% to 6.27%	13,295,000	13,665,000
2004 Series B-1A:		
Serial bonds, due 2007 to 2015, interest from 2.30% to 3.70%	105,000	115,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	1,890,000	1,890,000
	<u>1,995,000</u>	<u>2,005,000</u>
2004 Series B-1B-1:		
Serial bonds, due 2007 to 2015, interest from 2.50% to 4.10%	960,000	1,020,000
Term bonds, due 2045, interest at 4.90%	12,875,000	21,740,000
	<u>13,835,000</u>	<u>22,760,000</u>
2004 Series B-1B-2:		
Serial bonds, due 2007 to 2015, interest from 2.50% to 4.10%	205,000	220,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	860,000	860,000
	<u>1,065,000</u>	<u>1,080,000</u>
2004 Series B-2T:		
Term bonds, due 2010 to 2045, interest from 4.05% to 5.77%	9,140,000	9,195,000
2005 Series A-1A:		

Serial bonds, due 2007 to 2015, interest from 3.15% to 4.25%	3,930,000	3,950,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000	17,230,000
	<u>21,160,000</u>	<u>21,180,000</u>
2005 Series A-1B:		
Term bonds, due 2012 to 2035, interest from 4.90% to 5.00%	5,235,000	5,235,000
2005 Series A-2T:		
Term bonds, due 2015 to 2035, interest from 5.14% to 5.76%	7,800,000	7,845,000
2006 Series A-1:		
Serial bonds, due 2007 to 2016, interest from 3.60% to 4.05%	2,285,000	-
Term bonds, due 2017 to 2043, interest from 3.85% to 4.75%	24,500,000	-
	<u>26,785,000</u>	<u>-</u>
2006 Series A-2T:		
Term bonds, due 2048, interest at 5.88%	4,660,000	-
2007 Series A-1:		
Serial bonds, due 2008 to 2017, interest from 3.75% to 4.35%	2,600,000	-
Term bonds, due 2018 to 2048, interest from 3.80% to 5.00%	33,175,000	-
	<u>35,775,000</u>	<u>-</u>
2007 Series A-2T:		
Term bonds, due 2027 to 2048, interest from 5.608% to 6.125%	7,265,000	-
Unamortized bond premium	<u>279,709</u>	<u>380,231</u>
Total	<u>271,269,709</u>	<u>210,410,231</u>
Multi-Family Mortgage Revenue Bonds:		
1998 Series A:		
Term bonds, due 2028, interest at variable rate	2,300,000	2,360,000
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000
Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	<u>35,000,000</u>	<u>-</u>
Total	<u>71,000,000</u>	<u>36,060,000</u>
Total Multi-Family Fund	<u>363,475,181</u>	<u>282,199,574</u>

TOTAL BONDS AND NOTES PAYABLE: \$ 1,532,020,427 \$ 1,293,020,536

The debt service payable schedule below includes amounts required for debt service sinking funds, including compound interest bonds which are reported at their matured principal amount, for each fiscal year relating to the respective bonds and notes as of June 30, 2007 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$52,015	\$1,797	\$ 122,655	\$ 48,966	\$ 16,471	\$ 17,023
2009	12,016	339	59,655	45,117	9,298	16,517
2010	17	57	27,650	43,298	6,572	16,156
2011	18	56	27,855	42,207	6,480	15,928
2012	19	55	28,955	41,066	4,855	15,705
2013-2017	113	256	152,455	185,655	35,100	74,179
2018-2022	147	222	172,835	148,976	36,725	65,120
2023-2027	752	170	153,105	110,273	40,125	55,502
2028-2032	---	---	160,085	71,257	55,610	43,213
2033-2037	---	---	141,525	31,501	41,775	28,198
2038-2042	---	---	33,670	10,263	89,615	14,218
2043-2047	---	---	20,775	3,259	18,640	2,750
2048-2052	---	---	1,340	35	2,710	118
	<u>\$65,097</u>	<u>\$2,952</u>	<u>\$1,102,560</u>	<u>\$781,873</u>	<u>\$363,976</u>	<u>\$364,627</u>

Homeownership Opportunity Bonds Series 46-T and 48-T, Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T, bear interest at a variable rate established quarterly. The Multi-Family Mortgage Revenue Bonds bear interest at a variable rate established weekly by the Remarketing Agent. The rates used above were the applicable rates as of June 30, 2007.

Bonds and notes payable activity for the year ended June 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -0-	\$ -0-	\$ 5,000,000
Unsecured notes	-0-	93,100,000	(85,003,447)	8,096,553
Secured notes	78,000,000	75,000,000	(101,000,000)	52,000,000
Revenue bonds	<u>1,210,020,536</u>	<u>407,570,000</u>	<u>(150,666,662)</u>	<u>1,466,923,874</u>
	<u>\$1,293,020,536</u>	<u>\$575,670,000</u>	<u>\$(336,670,109)</u>	<u>\$1,532,020,427</u>

Bonds and notes payable activity for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -0-	\$ -0-	\$ 5,000,000
Unsecured notes	-0-	-0-	-0-	-0-
Secured notes	127,000,000	98,000,000	(147,000,000)	78,000,000
Revenue bonds	<u>1,229,201,753</u>	<u>317,685,000</u>	<u>(336,866,217)</u>	<u>1,210,020,536</u>
	<u>\$ 1,361,201,753</u>	<u>\$415,685,000</u>	<u>\$(483,866,217)</u>	<u>\$1,293,020,536</u>

5. Commitments and Contingencies

The Corporation has loan commitments under various funds. The loan commitments at June 30, 2007 are as follows:

Fund	Commitments
Operating Fund	\$18,379,022
Single-Family Fund	\$13,915,181
Multi-Family Fund	\$ 119,364

The Attorney General of the State has filed suit against lead pigment manufacturers and their trade association alleging, in substance, that the presence of lead paint is a public nuisance. The defendants have filed third party complaints against the Corporation and other unnamed property owners for damages under the theories of indemnity and contribution. The Court separated the lawsuit into phases. Phase I is limited to the question of whether the presence of lead paint in buildings is a public nuisance and, if so, whether the State is entitled to an award of damages. Phase II involves the claims made by the defendants against the third party defendants. In February 2006, a jury determined that certain defendants were responsible for creating a public nuisance. The Superior court recently denied a number of post-trial motions in which the defendants attempted to set aside the jury's verdict and obtain a new trial. The defendants have appealed these decisions to the Rhode Island Supreme Court. The Superior Court has also denied requests from the defendants to stay further proceedings pending a final decision of the Supreme Court. The Supreme Court intends to appoint a special master to assist it in adopting a remedial order to implement the jury's verdict. The Superior Court has not yet indicated when or if it will consider the third party complaints asserted by defendants. The Corporation intends to vigorously contest the third party complaints. Since the Court has not yet ordered a remedy for the Phase I action, it is too early to determine the likelihood of an unfavorable outcome or the amount or range of any potential liability arising from the third party complaints.

The Corporation is party to certain other claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of

management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

On March 27, 2006, the Corporation executed a revolving loan agreement with Citizens Bank of Rhode Island, expiring in March 2009, whereby the Corporation may borrow up to a maximum outstanding principal sum of \$20,000,000. On July 31, 2006, the Corporation executed a revolving loan agreement with Bank of America N.A., expiring in July 2007, whereby the Corporation may borrow up to a maximum outstanding principal sum of \$50,000,000. Borrowings outstanding under the revolving loans are unsecured. At June 30, 2007, \$7,000,000 is outstanding under these revolving loans.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2007 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

6. Debt Compliance

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

7. Loans Receivable

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single Family Fund and Multi Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. Also, certain loans recorded in the Corporation's Single Family fund are on nonaccrual status. At June 30, 2007 and 2006, principal outstanding under such deferred loan arrangements and nonaccrual status loans is as follows:

	<u>2007</u>	<u>2006</u>
Operating Fund:		
Single-family loans	\$ 39,940,836	\$37,649,600
Multi-family loans	<u>56,526,738</u>	<u>39,560,276</u>
Subtotal	96,467,574	77,209,876
Single Family Fund:		
Single-family loans	14,488,326	3,043,536
Multi Family Fund:		
Multi-family loans	<u>11,624,285</u>	<u>---</u>
Total	<u>\$122,580,185</u>	<u>\$80,253,412</u>

Included in loans receivable at June 30, 2007 and 2006 is \$750,566 and \$120,930, respectively, of real estate owned which has been acquired by the Corporation through or in lieu of foreclosure.

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$33,108,213	\$ 31,761,251
Loans charged off, net of recoveries	(2,411,792)	(619,166)
Provisions for loan losses	<u>197,120</u>	<u>1,966,128</u>
Balance at end of year	<u>\$30,893,541</u>	\$ <u>33,108,213</u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due the Corporation. At June 30, 2007 and 2006, the Mortgage Lenders Reserve Account totaled \$1,731,138 and \$1,768,518, respectively.

8. State Rental Subsidy Program

The Corporation and the State have entered into a contractual relationship whereby the Corporation assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, the Corporation made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four-year period beginning in the year ended June 30, 1996, but to date no payments have been received, nor have any payments for advances totaling \$35,935,420 made during the years ended June 30, 1998 through 2007 been received.

9. Restricted Assets

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

At June 30, 2007 and 2006, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$194,603,236 and \$187,923,137, respectively, of investments and cash and cash equivalents and \$34,965,544 and \$30,983,958, respectively, of loans receivable in the Corporation's Operating Fund are restricted.

10. Segment Information

The Corporation has issued various revenue bonds to finance the activities of its Single-Family Fund and Multi-Family Fund. Investors in each revenue bond rely solely on the revenue stream generated from the activities associated with the specific revenue bonds for repayment. Segment information relating to these identifiable activities is presented in the accompanying balance sheets, statements of revenues, expenses and changes in fund equity and statements of cash flows.

11. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding on October 1, 2007:

Program	Principal Outstanding
Homeownership Opportunity Bonds	\$2,470,000
Multifamily Bond Program	\$2,000,000

On September 13, 2007, the Corporation issued \$70,000,000 of Homeownership Opportunity Bonds, Series 57.



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

Principals
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Independent Auditors' Report on Accompanying Information

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhode Island Housing and Mortgage Finance Corporation's (Rhode Island Housing), a component unit of the State of Rhode Island, basic financial statements. The combining information on pages 45 through 48 is presented for purposes of additional analysis of the basic financial statements rather than to present the financial position and changes in financial position of the individual programs and is not a required part of the basic financial statements. The information included in these schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lefkowitz, Garfinkel, Champi & DeRienzo P.C.

September 25, 2007

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2007 and 2006

	Multi-Family Housing Bond Program		Housing Bond Program		Multi-Family Mortgage Revenue Bond Program	
	2007	2006	2007	2006	2007	2006
Assets						
Loans receivable	\$ 13,467,951	\$ 23,201,337	\$ 244,428,267	\$ 186,502,534	\$ 71,000,000	\$ 36,060,000
Less: allowance for loan losses						
Loans receivable, net	<u>13,467,951</u>	<u>23,201,337</u>	<u>244,428,267</u>	<u>186,502,534</u>	<u>71,000,000</u>	<u>36,060,000</u>
Investments	25,238,797	40,839,237	24,692,295	19,917,071		
Accrued interest-loans	96,361	166,158	1,459,895	1,181,294	247,756	128,393
Accrued interest-investments	19,481	23,093	293,211	263,272		
Cash and cash equivalents	8,931,969	1,619,876	29,814,396	27,015,398	10,692,310	3,034,161
Accounts receivable						
Deferred bond issuance costs, net	151,689	239,186	121,923	144,961		
Other assets, net						
Interfund receivable (payable)			(230,480)	(321,270)		
Total assets	<u>\$ 47,906,248</u>	<u>\$ 66,088,887</u>	<u>\$ 300,579,507</u>	<u>\$ 234,703,260</u>	<u>\$ 81,940,066</u>	<u>\$ 39,222,554</u>
Liabilities and Fund Equity						
Bonds and notes payable	\$ 21,205,472	\$ 35,729,343	\$ 271,269,709	\$ 210,410,231	\$ 71,000,000	\$ 36,060,000
Accrued interest payable on bonds and notes	508,106	974,330	3,233,487	2,694,684	219,081	111,207
Accounts payable and accrued liabilities	348,185	384,166	283,648	238,600		
Deferred fees						
Escrow deposits			1,247,726	1,487,726	10,602,279	2,957,673
Total liabilities	<u>22,061,763</u>	<u>37,087,839</u>	<u>276,034,570</u>	<u>214,831,241</u>	<u>81,821,360</u>	<u>39,128,880</u>
Commitments and contingencies						
Fund equity, restricted	25,844,485	29,001,048	24,544,937	19,872,019	118,706	93,674
Total liabilities and fund equity	<u>\$ 47,906,248</u>	<u>\$ 66,088,887</u>	<u>\$ 300,579,507</u>	<u>\$ 234,703,260</u>	<u>\$ 81,940,066</u>	<u>\$ 39,222,554</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund, Continued
June 30, 2007 and 2006

	<u>Multi-Family Fund Totals</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Loans receivable	\$ 328,896,218	\$ 245,763,871
Less: allowance for loan losses	-	-
Loans receivable, net	<u>328,896,218</u>	<u>245,763,871</u>
Investments	49,931,092	60,756,308
Accrued interest-loans	1,804,012	1,475,845
Accrued interest-investments	312,692	286,365
Cash and cash equivalents	49,438,675	31,669,435
Accounts receivable	-	-
Deferred bond issuance costs, net	273,612	384,147
Other assets, net	-	-
Interfund receivable (payable)	<u>(230,480)</u>	<u>(321,270)</u>
Total assets	<u>\$ 430,425,821</u>	<u>\$ 340,014,701</u>
Liabilities and Fund Equity		
Bonds and notes payable	\$ 363,475,181	\$ 282,199,574
Accrued interest payable on bonds and notes	3,960,674	3,780,221
Accounts payable and accrued liabilities	631,833	622,766
Deferred fees	-	-
Escrow deposits	<u>11,850,005</u>	<u>4,445,399</u>
Total liabilities	<u>379,917,693</u>	<u>291,047,960</u>
Commitments and contingencies		
Fund equity, restricted	<u>50,508,128</u>	<u>48,966,741</u>
Total liabilities and fund equity	<u>\$ 430,425,821</u>	<u>\$ 340,014,701</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund
For the years ended June 30, 2007 and 2006

	Multi-Family Housing Bond Program		Housing Bond Program		Multi-Family Mortgage Revenue Bond Program	
	2007	2006	2007	2006	2007	2006
Operating revenues:						
Interest income on loans	\$ 1,503,687	\$ 2,264,193	\$ 13,954,709	\$ 13,267,443	\$ 2,660,362	\$ 446,140
Interest income attributable to internal servicing activities						
Total interest income on loans	<u>1,503,687</u>	<u>2,264,193</u>	<u>13,954,709</u>	<u>13,267,443</u>	<u>2,660,362</u>	<u>446,140</u>
Income on investments:						
Interest on investments	2,089,115	2,279,121	2,660,136	2,523,948	3,864	2,392
Net increase (decrease) in fair value of investments			153,121	(1,730,451)		
Fees						
Servicing fee income						
Miscellaneous income						
Total operating revenues	<u>3,592,802</u>	<u>4,543,314</u>	<u>16,767,966</u>	<u>14,060,940</u>	<u>2,664,226</u>	<u>448,532</u>
Operating expenses:						
Interest expense	1,678,229	2,578,166	11,668,117	11,398,906	2,325,794	378,563
Personnel services						
Other administrative expenses	19,621	27,465	266,950	205,998		
Housing initiatives						
Provision for loan loss						
Arbitrage rebate	(35,981)	140,607	171,202	(718,232)		
Amortization of deferred bond issuance costs	43,297	59,250	11,399	33,022		
Early retirement of debt	44,199	8,489	11,640	164,759		
Depreciation and amortization of other assets						
State Rental Subsidy Program						
Total operating expenses	<u>1,749,365</u>	<u>2,813,977</u>	<u>12,129,308</u>	<u>11,084,453</u>	<u>2,325,794</u>	<u>378,563</u>
Operating income (loss)	1,843,437	1,729,337	4,638,658	2,976,487	338,432	69,969
Transfers in (out) of fund equity	<u>(5,000,000)</u>	<u>(3,083,473)</u>	<u>34,260</u>	<u>(790,858)</u>	<u>(313,400)</u>	<u>(42,933)</u>
Change in fund equity	(3,156,563)	(1,354,136)	4,672,918	2,185,629	25,032	27,036
Fund equity, beginning of year	29,001,048	30,355,184	19,872,019	17,686,390	93,674	66,638
Fund equity, end of year	<u>\$ 25,844,485</u>	<u>\$ 29,001,048</u>	<u>\$ 24,544,937</u>	<u>\$ 19,872,019</u>	<u>\$ 118,706</u>	<u>\$ 93,674</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund, Continued
For the years ended June 30, 2007 and 2006

	<u>Multi-Family Fund Totals</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Interest income on loans	\$ 18,118,758	\$ 15,977,776
Interest income attributable to internal servicing activities	-	-
Total interest income on loans	<u>18,118,758</u>	<u>15,977,776</u>
Income on investments:		
Interest on investments	4,753,115	4,805,461
Net increase (decrease) in fair value of investments	153,121	(1,730,451)
Fees	-	-
Servicing fee income	-	-
Miscellaneous income	-	-
Total operating revenues	<u>23,024,994</u>	<u>19,052,786</u>
Operating expenses:		
Interest expense	15,672,140	14,355,635
Personnel services	-	-
Other administrative expenses	286,571	233,463
Housing initiatives	-	-
Provision for loan loss	-	-
Arbitrage rebate	135,221	(577,625)
Amortization of deferred bond issuance costs	54,696	92,272
Early retirement of debt	55,839	173,248
Depreciation and amortization of other assets	-	-
State Rental Subsidy Program	-	-
Total operating expenses	<u>16,204,467</u>	<u>14,276,993</u>
Operating income (loss)	6,820,527	4,775,793
Transfers in (out) of fund equity	<u>(5,279,140)</u>	<u>(3,917,264)</u>
Change in fund equity	1,541,387	858,529
Fund equity, beginning of year	<u>48,966,741</u>	<u>48,108,212</u>
Fund equity, end of year	<u>\$ 50,508,128</u>	<u>\$ 48,966,741</u>

CERTAIN DEFINITIONS

“*Account*” means one of the special accounts created and established pursuant to the Resolution.

“*Accountant*” means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by Rhode Island Housing and may be the accountant or firm of accountants who regularly audits the books and accounts of Rhode Island Housing.

“*Act*” means Chapter 55 of Title 42 of the General Laws of Rhode Island 1956 (1998 Reenactment), as amended.

“*Aggregate Debt Service*” means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

“*Appreciation Bond*” means any Bond whose Issuance Amount is less than 97.5% of the Maturity Amount.

“*Authorized Newspapers*” means not fewer than two newspapers or financial journals, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, one of which is of general circulation in Providence, Rhode Island, and the other of which is of general circulation in the Borough of Manhattan, City and State of New York.

“*Authorized Officer*” means the Chairman, Executive Director and Chief Financial Officer of Rhode Island Housing and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of Rhode Island Housing then authorized to perform such act or discharge such duty.

“*Bond*” means one of the Bonds to be authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds to be issued pursuant to the Resolution.

“*Bond Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by Rhode Island Housing and satisfactory to the Trustee.

“*Bond Proceeds Account*” means the Bond Proceeds Account established pursuant to the Resolution.

“*Bondholder*” or “*holder*” or words of similar import, when used with reference to a Bond, means any person who shall be the bearer of any Outstanding Bond registered to bearer or not registered, or the registered owner of any Outstanding Bond registered other than to bearer.

“*Capital Reserve Account*” means the Capital Reserve Account established pursuant to the Resolution.

“*Capital Reserve Account Requirement*” means, as of any date of calculation, the greater of (a) an amount equal to the Aggregate Debt Service for the then current or (if greater) any future Fiscal Year or (b) the amount specified for such requirement in the Certificate of an Authorized Officer delivered in connection with the delivery of any Bonds which remain Outstanding. Notwithstanding the foregoing, for the purpose of calculating the Aggregate Debt Service for purposes of establishing the Capital Reserve Account Requirement for variable rate Bonds issued after March 12, 2003 in accordance with the preceding sentence, Aggregate Debt Service for any series of such variable rate Bonds shall be based on the assumption that such Bonds bear interest at then available fixed interest rates for comparable fixed rate obligations issued at approximately the same time as the original issuance of such Bonds and rated in the same rating category, as determined by Rhode Island Housing.

“*Cash Equivalent*” means a Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (as defined and provided for in a Supplemental Resolution authorizing the issuance of Bonds), or which is provided by an institution whose unsecured debt securities are assigned to a rating category which does not have an adverse impact on the rating category to which the Bonds are assigned by a nationally recognized rating agency at the time of the issuance of such Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (or the highest rating of short-term obligations if the Cash Equivalent is a short-term instrument).

“*Certificate*” means (a) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Resolution or (b) the report of an Accountant as to audit or other procedures called for by the Resolution.

“*Compounded Amount*” means as of any particular date of calculation with reference to any Appreciation Bond, either (a) the applicable Compounded Amount for such date established by Rhode Island Housing in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to the Resolution or (b) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issuance Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to the Resolution. Any determination of Compounded Amount shall assume straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable or reimbursable by or to Rhode Island Housing and related to the authorization, sale or issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial fees for letters of credit and any other costs, charges or fees in connection with the original issuance of Bonds.

“*Debt Service*” means, with respect to payments to be made during any particular Fiscal Year and, where appropriate, to the Bonds of any particular Series, an amount equal to the sum of (a) all interest payable on such Bonds during such Fiscal Year, plus (b) any Principal Installments of such Bonds during such Fiscal Year.

“*Depository*” means any bank or trust company or national banking association selected by Rhode Island Housing or the Trustee (with the consent of Rhode Island Housing) as a depository of

moneys or securities held under the provisions of this Resolution and may include the Trustee or any Paying Agent.

“*Escrow Payments*” means and includes all amounts paid directly to Rhode Island Housing or to the servicer of any Mortgage Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to a Mortgage Loan or the mortgaged premises or payments required by any Mortgage Loan in connection with real estate taxes, assessments, water charges, sewer rents, casualty or other insurance, replacement or operating reserves or other like payments in connection therewith.

“*Event of Default*” means any of the events specified in the Resolution.

“*FHA*” means the Federal Housing Administration within the United States Department of Housing and Urban Development.

“*Fiduciary*” means the Trustee, the Paying Agent, and any Depository or any or all of them as may be appropriate.

“*Final Compounding Date*” means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a periodic basis.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year.

“*Housing Program*” means the program for the financing of loans for housing and related purposes permitted pursuant to the Act, as the same may be amended from time to time consistent with the Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to the Resolution.

“*HUD*” means the United States Department of Housing and Urban Development.

“*Interest Payment Date*” means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

“*Internal Rate of Return,*” when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to the Resolution and compounded on each Interest Payment Date therefor, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest, if any, on each Interest Payment Date therefor on such Bond which is payable on the Interest Payment Dates therefor.

“*Investment Securities*” means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of Rhode Island Housing under the Act, including the amendments thereto hereafter made, or under other applicable law:

- (1) direct obligations of or obligations guaranteed by the United States of America;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers’ Home

Administration, Export-Import Bank of the United States, Fannie Mae, Federal Home Loan Mortgage Corporation, World Bank and The Financing Corporation;

(3) any bond, debenture, note, participation certificate or other similar obligation issued by any other federal agency and backed by the full faith and credit of the United States of America;

(4) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged; and

(6) deposits in interest-bearing time or demand deposits, certificates of deposit, repurchase agreements or similar banking arrangements made, acquired or entered into in accordance with the section of the Resolution regarding deposits; and

(7) any investments authorized in a Supplemental Resolution.

Provided that, it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted which Rhode Island Housing deems from time to time to be in the interests of Rhode Island Housing to include as Investment Securities if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then existing rating or ratings assigned to them by any nationally recognized rating agency which maintains a rating on the Bonds.

“Issuance Amount” means the price, exclusive of accrued interest (if any) which is payable within the next twelve months, at which a Bond was offered for sale to the public (or the price of such Bond to the initial Purchaser if not publicly sold) at the time of issuance thereof by Rhode Island Housing pursuant to the Resolution, which shall be set forth or provided for in a Supplemental Resolution, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, costs of issuance, or similar costs.

“Maturity Amount” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on the Interest Payment Dates therefor.

“Mortgage” means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan.

“Mortgage Loan” means loans for housing financed from amounts in the Bond Proceeds Account, and includes the Mortgage and the promissory note or notes securing such Mortgage, evidencing any such Mortgage Loan.

“Mortgage Reserve Account” means the Mortgage Reserve Account established pursuant to the Resolution.

“*Mortgage Reserve Account Requirement*” means, with respect to any Series of Bonds, the amount specified in the Supplemental Resolution authorizing such Bonds.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(a) any Bond cancelled by a Fiduciary or delivered to a Fiduciary for cancellation at or prior to such date;

(b) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Account either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, when due, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(b) Investment Securities, as described in the Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, when due, together with accrued interest on such Bond to the payment date or Redemption Date, which payment or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(c) any combination of (i) and (ii) above;

(c) any bond in lieu of or in substitution or exchange for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

(d) any bond deemed to have been paid as provided in the Resolution.

“*Paying Agent*” means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

“*Permitted Encumbrances*” means (a) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to Rhode Island Housing, indemnity has been provided or similar steps to secure the interest of Rhode Island Housing have been taken, (b) ad valorem property taxes ratably accrued but not yet due and payable, (c) severed mineral estates or interests owned by others, and (d) such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as Rhode Island Housing determines will not impair the habitability or value of the premises or the ability to realize the benefits of any insurance.

“*Pledged Receipts*” means (a) the scheduled or other payments required by any Mortgage Loan and paid to Rhode Island Housing from any source, including both timely and delinquent payments with late charges, (b) any extension privilege payment required in connection with delays in construction, cost certification or initial occupancy of the residential housing being financed by any Mortgage Loan, (c) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the Resolution (except the Rebate Account), (d) net income received with respect to any Acquired Development as provided in the section of the Resolution

regarding Rhode Island Housing's covenant with respect to the Housing Program and (e) any other amounts set forth in the Supplemental Resolution authorizing a Series of Bonds, but shall not mean or include Recoveries of Principal, any payments with respect to any Mortgage Loan received or accrued prior to the date that Revenues therefrom are pledged under the Resolution, Escrow Payments or any amount retained by the servicer of any Mortgage Loan, if there be one other than Rhode Island Housing, as financing or settlement fees payable at the time of initial disbursement of a Mortgage Loan.

"Principal Installment" means, as of any date of calculation, (a) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Payments payable before such future date plus (b) the unsatisfied balance, determined as provided in the Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"Program Expenses" means all Rhode Island Housing's expenses in carrying out and administering its Housing Program under the Resolution and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishing, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Housing Program. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs, a reasonable reserve for losses and expenses estimated to be incurred by Rhode Island Housing and amounts appropriated to reimburse Rhode Island Housing for Program Expenses paid from other sources.

"Rebate Account" means the Rebate Account established pursuant to the Resolution.

"Recoveries of Principal" means all amounts received by Rhode Island Housing as a recovery of the principal amount disbursed by Rhode Island Housing in connection with any Mortgage Loan including any premium or penalty with respect thereto, on account of (a) the advance payment of amounts to become due pursuant to such Mortgage Loan, (b) the sale, assignment, endorsement or other disposition thereof, (c) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (d) proceeds of mortgage insurance or the net proceeds of hazard or title insurance or (e) proceeds of condemnation.

"Redemption Account" means the Redemption Account established pursuant to the Resolution.

"Redemption Date" means the date upon which Bonds are to be called for redemption pursuant to the Resolution.

"Redemption Price" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"Refunding Bond" means any Bond authenticated and delivered on original issuance pursuant to the Resolution or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to the Resolution.

“*Resolution*” means the General Housing Program Bond Resolution, adopted by Rhode Island Housing on August 17, 1988, and any amendments or supplements made in accordance with its terms.

“*Revenue Account*” means the Revenue Account established pursuant to the Resolution.

“*Revenues*” means the Pledged Receipts and Recoveries of Principal.

“*Rhode Island Housing*” means the Rhode Island Housing and Mortgage Finance Corporation, a public corporation and instrumentality and agency, created and existing under the laws of the State, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of Rhode Island Housing.

“*Series*” means all Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution or exchange for (but not to refund) such Bonds as provided in the Resolution.

“*SIFMA Index*” means the index published by the Securities Industry and Financial Markets Association (formerly, The Bond Market Association) based upon data compiled by Municipal Market Data concerning tax-exempt variable rates.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid at all events by Rhode Island Housing on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by Rhode Island Housing by reason of the maturity of a Bond or by call for redemption at the election or direction of Rhode Island Housing.

“*State*” means the State of Rhode Island and Providence Plantations.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Resolution, adopted by Rhode Island Housing and effective in accordance with the Resolution.

“*Trustee*” means the trustee designated in the Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the Resolution.

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FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS

Federal Mortgage Insurance Program

FHA insurance programs for low and moderate income multifamily mortgage loans is administered by HUD, acting through FHA pursuant to Sections 221(d)(3) and 221(d)(4) of Title II of the National Housing Act, as amended. This program is intended to assist private industry in the development of rental and cooperative housing for low and moderate income families. FHA insurance benefits under this program are available only if the mortgagee of record is an FHA-approved mortgagee under the insurance program. Rhode Island Housing is an FHA-approved mortgagee under this program.

Applications for FHA insurance commitments under the FHA Insurance program may undergo several processing stages. During this process, FHA reviews the financial qualifications of the participants, the plans and specifications to which a project will be built, its costs, the management and marketing of a project and other factors affecting the feasibility of the project.

The mortgagee must receive a firm commitment from FHA for FHA insurance of advances prior to the time of initial endorsement of the mortgage loan for FHA insurance. Issuance of a firm commitment evidences FHA's approval of the application for mortgage insurance for a project and establishes the terms and conditions upon which the mortgage loan will be insured by FHA.

After receipt of the firm commitment for insurance of advances, the developer proceeds to initial endorsement of the mortgage loan. At the initial endorsement the owner executes a standard form of FHA mortgage note evidencing the mortgage loan and an FHA standard form of mortgage securing the mortgage note. Concurrently with the execution of the mortgage note, FHA initially endorses the mortgage note for mortgage insurance and funds are advanced to provide for initial fees and expenses, including mortgage financing fees, land acquisition costs, title costs, design architect's, attorney's, inspection and other related fees and expenses.

Construction of a development financed with FHA insurance for construction advances is required to proceed in accordance with the FHA standard form building loan agreement. The building loan agreement sets forth the terms and conditions under which progress payments may be advanced during construction. Generally, the building loan agreement provides for the disbursement of funds on a percentage of completion basis, with periodic requisitions for advances of funds. Prior to any disbursement, certain conditions, including the completion of certain inspections of the construction, the submission and approval of certain documentation of construction work progress and compliance with the approved plans and specifications and updated title evidence satisfactory to the mortgagee and FHA, must be satisfied. Each advance will be insured by FHA upon disbursements in accordance with FHA regulations. Disbursements of advances continue for only so long as the developer is not in default under the mortgage and otherwise complies with the requirements for disbursements.

Changes in the plans and specifications originally approved by FHA at initial endorsement must be approved by the developer, the developer's architect, FHA and the mortgagee (as well as the bonding company providing the contractor's payment and performance bond where such bonds are required and the scope of the change warrants' prior approval) in the form of a written approval of a change order to the construction contract.

Final endorsement of the mortgage note occurs only after the developer and contractor have submitted cost certifications prepared by independent public accountants and FHA has approved the completion of the project and has authorized occupancy. Based on these certifications, FHA will determine the maximum insurable mortgage, which may be smaller, larger or the same as the originally insured amount. At final endorsement, increases in the maximum insurable amount of the mortgage loan approved by FHA and Rhode Island Housing, if any, may be funded. Amounts remaining to be advanced under the mortgage loan will be disbursed, contingent upon FHA approval, upon the receipt of acceptable title insurance endorsements and the fulfillment of certain other obligations of the owner, including certificates of occupancy from local jurisdictions and evidence of adequate insurance coverage.

In the event of default under an FHA insured mortgage loan which is not cured within 30 days, the mortgagee generally is entitled to receive insurance benefits. It is the responsibility of the mortgagee to notify FHA in the event of such a default by the mortgagor under the mortgage note or mortgage. Unless extended by FHA, FHA regulations further require the mortgagee to make an election within 45 days of the date the mortgagee is required to give notice of an event of default under the mortgage loan, whether it will (a) assign the mortgage to FHA or (b) acquire title to and convey the development property to FHA. All insurance claims must be paid in cash unless the mortgagee files a written request for payment in debentures.

Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk Sharing Act") authorized the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Parts 246 and 266 (the "Regulations") pursuant to the Risk-Sharing Act. The program established by the Risk-Sharing Act (the "Risk Sharing Program") allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

This mortgage insurance program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between HUD and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans and a list of HFA certifications designated to assure its proper performance.

Projects eligible to be insured under the Risk Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

Rhode Island Housing has been designated by HUD as a "qualified HFA" under the Risk Sharing Act. Rhode Island Housing has entered into a risk-sharing agreement with HUD dated as of June 27, 1994 (the "Risk Sharing Agreement"). Rhode Island Housing has received both "Level I" and "Level II" approvals under the Regulations. A Level I approval requires Rhode Island Housing to reimburse HUD for up to 50% of any loss incurred as a result of a default under a mortgage loan but permits Rhode Island Housing to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application). A Level II approval permits Rhode Island Housing to insure less than 50% of any losses on the mortgage loan and HUD has agreed to allow Rhode Island Housing to use its own underwriting standards and loan terms and conditions for Level II loans. For the 2007 Series B Mortgage

Loans which are being financed by the 2007 Series B Bonds (other than the second Mortgage Loans for Hillcrest Village and Maple Gardens II), Rhode Island Housing is assuming 50% of the risk; Rhode Island Housing is assuming 100% of the risk for the second Mortgage Loans to Hillcrest Village and Maple Gardens II.

During its participation in the program, the HFA must take responsibility for certain functions, including those relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD will monitor the HFA's compliance with requirements concerning subsidy layering, the Davis-Bacon Act, and other program criteria. Certain HUD requirements may only be applicable when construction financing is utilized.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semi-annual reports and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

Section 8 Housing Assistance Payments Program

Section 8 of the Housing Act, as amended by the Housing and Community Development Act of 1974, established a federal housing assistance program of federal assistance for multifamily housing developments of the type that Rhode Island Housing finances under its Program (each, a "Section 8 Development"). The Section 8 program involves the distribution of housing assistance payments to the owners of housing developments assisted under such program. The Section 8 program is administered on the federal level by HUD. The housing assistance payments program for each Section 8 Development is administered at the state level by Rhode Island Housing.

Pursuant to regulations issued by HUD under the Section 8 program during the period 1975-1984, HUD granted "set-asides" for state housing agencies (i.e., reservations of annual housing assistance payments under the Section 8 program) which an agency, with HUD approval, can allocate to developments according to its own housing program. As provided in the regulations, HUD reserved a portion of such set-asides for the State of Rhode Island to be used in connection with the new construction or substantial rehabilitation of housing.

Eligible tenants for rental units assisted under the Section 8 program, as implemented by the Contract Administrator, are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. HUD regulations define the term "family" to include elderly, disabled, handicapped or displaced single persons and, under certain limited conditions, other single persons. In the State of Rhode Island, 50% of median income ranges from a low of \$23,905 per year for one person to a high of \$45,078 for a family of eight persons.

Section 8 housing assistance payments are provided, in the case of developments that are permanently financed by Rhode Island Housing and that utilize a portion of the Contract Administrator's annual set-asides of Section 8 contract authority, through an Annual Contributions Contract ("ACC") between HUD and the Contract Administrator and a Housing Assistance Payment Contract ("HAP Contract") between the Contract Administrator and the owner of the assisted development. Pursuant to the ACC, the Contract Administrator will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance

payments to the owner of the development under the HAP Contract. However, each year of rental assistance is subject to annual appropriation and spending authorization in the federal budget.

The amount of the subsidy payable to the Contract Administrator for the account of the owner under the HAP Contract is the applicable contract rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income, with a minimum rent for all tenants. HUD has implemented a \$25 minimum rent for most families (HUD Notice H 96-89). Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Contract Administrator to the owner in the form of HAP Contract Payments. The proportion of the contract rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy period not exceeding 60 days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. Such payments for vacancies will be reduced to the extent the owner receives payment from the tenant for such vacancy period or the owner is otherwise entitled to payments from any other source, including a security deposit, for the vacant unit. In addition, if a unit continues to be vacant after this 60-day period, the owner may receive additional payments of up to one year for each vacancy equal to the principal and interest payments required to amortize the debt attributable to that unit, provided that (a) the unit is in decent, safe and sanitary condition during the vacancy period, (b) the owner has taken and continues to take all feasible actions to fill the vacancy, (c) the development is not providing the owner with revenues equal to costs incurred and the amount of the payments do not exceed the deficiency and (d) the owner submits a statement with supporting evidence satisfactory to HUD (or the Contract Administrator) that the development can achieve financial soundness within a reasonable time. HUD (or the Contract Administrator) may deny any claim for additional payments if it determines that, based on the owner's statement and other evidence, there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Housing assistance payments are not payable with respect to units that are occupied by tenants who are not eligible for Section 8 assistance. However, if the dwelling unit is subsequently reoccupied by an eligible tenant, housing assistance payments will again become available to the owner unless the HAP Contract has been modified in the interim by deleting that dwelling unit from its coverage.

The Contract Administrator is permitted, but not required, to delete from the HAP Contract any units that the owner fails, for substantial periods of time, to lease or make available for lease by eligible tenants. Rhode Island Housing mortgage loan documents prohibit the owner from leasing more than 20% of the dwelling units to ineligible tenants without prior approval from Rhode Island Housing

HUD's Section 8 regulations and the ACCs provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually pursuant to a HUD-established automatic annual adjustment factor. Under the Housing Act, the annual adjustment factor is applied on the anniversary date of each HAP Contract, resulting in upward or downward adjustment, except that contract rents may not be reduced below the contract rents in effect on or after April 15, 1987, for newly constructed or substantially rehabilitated projects, unless the project has been refinanced in a manner that reduces the periodic payment of the owner. However, pursuant to federal legislation enacted in 1997, contract rents may not be increased beyond HUD Fair Market Rents (as described below) plus the differential between the initial contract rent and comparable rents at the time of execution of the HAP Contract (the "Initial Difference"), unless the owner submits evidence of higher comparable market rents as determined by independent appraisals of at least three comparable local developments. Special additional adjustments may be approved by HUD to reflect actual and necessary expenses of owning and

maintaining the development that have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that such general increases are not compensated for by the automatic annual adjustment. Adjustments, however, are limited to 120% of the HUD Fair Market Rents plus the Initial Difference. Present HUD policy also provides that the annual adjustment factors for Section 8 units which experienced no turnover in tenants since the preceding HAP Contract anniversary date will be one percentage point less than the annual adjustment factors that would otherwise apply. Consequently, there can be no assurance that increases in contract rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Each year, HUD publishes its determination of fair market rents (“HUD Fair Market Rents”). Such HUD Fair Market Rents constitute HUD’s determination of the rents, including utilities (except telephone), ranges and refrigerators, parking and all maintenance, management and other essential housing services, which would be required to obtain, in a particular market area, privately developed and owned rental housing of modest design with suitable amenities.

The following table sets forth the range of monthly rents for the Section 8 Developments effective on April 1, 2007 based on unit size and the current range of HUD Fair Market Rents in Rhode Island:

Range of Section 8 Development Monthly Rents and HUD Fair Market Rents For the Housing Bond Program Resolution Developments

	One Bedroom	Two Bedrooms	Three Bedrooms
Section 8 Developments	\$671-1,096	\$755-1,272	\$834-1,339
HUD Fair Market Rents	\$683-869	\$799-1,014	\$955-1,340

In the last decade there have been several court decisions with respect to the Section 8 program and the limitations on contract rent adjustments. Generally, the courts have upheld HUD’s right to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units which are greater than the Initial Difference.

At this time, Rhode Island Housing is unable to predict what actions, if any, HUD or the Congress will take in the future with respect to such rent adjustments. Actions by HUD in the future could have the effect of limiting upward adjustments in contract rents or of decreasing contract rents currently in effect to eliminate any material difference between the contract rents and rents charged for comparable unassisted units, except to the extent of the Initial Differences. Such actions, if taken, could adversely affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of Rhode Island Housing to make timely payments of interest and principal on the Bonds with amounts pledged under the Resolutions. Congress has passed legislation and HUD has implemented procedures to restrict contract rent increases above fair market rents for each fiscal year since 1995. Any of the actions mentioned above could adversely affect the ratings on, and the market price of, the 2007 Series B Bonds.

The maximum total annual contribution that may be contracted for in an ACC will equal the initial gross rents for all assisted units in the development. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the gross rents payable by the tenants) is available to be set aside by HUD in an account (the “project account”) for the particular development and will be available

for future years to fund increases in contract rents for the development or decreases in family incomes. If and when a project account falls below 40% of the maximum annual commitment, HUD undertakes in the ACC to provide additional funding, to the extent permitted by law, in order to increase the maximum annual contribution payable under the ACC.

Subsection (c)(6) of Section 8 provides:

The Secretary [of HUD] shall take steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

In practice, HUD has not been replenishing the project accounts when the amounts in such project accounts have fallen below 40% of the maximum annual commitment, but has sought and received amendment authority from the Congress to enable it to discharge its obligations under the HAP Contracts and the ACCs.

Although the Section 8 housing assistance payments are made directly or indirectly to the owner and, in effect, represent rental income, the HAP Contract may, with HUD's approval, be pledged by the owner to Rhode Island Housing as mortgage lender on the development. All of the HAP Contracts covering Rhode Island Housing's Section 8 Developments have been so pledged. However, the owner will retain the right to collect such payments so long as the owner is in compliance with the provisions of the HAP Contract and Rhode Island Housing Mortgage Loan documents. Rhode Island Housing's rights to receive Section 8 subsidy payments with respect to the developments have been pledged and assigned to the Trustee as part of the security for the Bonds. Under federal laws, the United States government may have the right to set off liabilities of Rhode Island Housing to the United States against the payments under ACCs. Housing assistance payments by HUD do not terminate if the mortgage on the development goes into default, so long as the owner has not breached any of its obligations under the HAP Contract, including, among other responsibilities, its obligation to maintain and operate the development so as to provide decent, safe and sanitary housing. In the event of breach by the owner, HUD may abate or terminate housing assistance payments after giving the owner and the Contract Administrator an opportunity to take corrective action.

Portfolio Restructuring

In the late 1990's there were numerous pronouncements from HUD and various elected officials as to the future of HUD and the various programs operating pursuant to Section 8. These pronouncements primarily concerned those projects which have mortgages insured by the Federal Housing Administration ("FHA") with terms ranging from 30 to 40 years and which have HAP Contracts with terms of approximately 20 years. In 1998 HUD was authorized to initiate a permanent program to restructure FHA-insured mortgage loans with expiring HAP Contracts; in 2000, federal legislation was enacted to permit such mortgages financed by state housing agencies (like Rhode Island Housing) to also be restructured but only if the same is not contrary to the terms of the mortgage agreements.

At this time, Rhode Island Housing cannot predict the terms of further legislation, if any, which may be enacted which may restructure and change HUD, its administration or its programs (including the Section 8 program) and the funding of HUD and its programs. Rhode Island Housing cannot predict whether any such legislation, if enacted, would adversely affect the ability of Rhode Island Housing to

make timely payments of principal and interest on the 2007 Series B Bonds, with amounts pledged under the Resolution.

Section 236 Program

Interest Subsidy. Under the Section 236 subsidy program, HUD agrees to make direct mortgage interest reduction subsidy payments to the mortgagee on behalf of the owner of the project, in an amount equal to that portion of the debt service required under the actual 40-year mortgage loan which is in excess of that debt service which would be due on a self-amortizing 40-year mortgage loan in the same principal amount with an interest rate of 1% per annum.

Since the initiation of the Section 236 program in 1973, HUD and Rhode Island Housing have agreed to certain modifications of the administrative procedures with respect to the Section 236 subsidy agreements among HUD, Rhode Island Housing and various developers. These modifications were requested to provide greater flexibility in the event a development financed by Rhode Island Housing and subsidized under Section 236 experienced financial difficulties. The following description of the provisions of the Section 236 Agreement incorporates the provisions of such modifications of the administrative procedures.

Under Section 236, subsidy payments with respect to a project shall only be made during the period of the Section 236 subsidy agreement that such project is operated as a rental housing project.

The form of project mortgage provides that the mortgagor must maintain hazard insurance on the project with such coverage and in such amounts as are satisfactory to FHA and the mortgagee, and in the event of any damage to the project all insurance proceeds are payable to Rhode Island Housing as mortgagee. In the event any dwelling unit is destroyed or rendered uninhabitable by reason of fire or any other insured risk, Rhode Island Housing has the right to determine if the proceeds of insurance will be used for restoration or applied to the redemption of Bonds. In the event Rhode Island Housing determines that such restoration or rehabilitation is not appropriate, HUD subsidy payments may be reduced to the extent applicable to such dwelling units not restored or rehabilitated.

HUD is obligated to make subsidy payments under the Section 236 program, except under the circumstances described below. If HUD subsidy payments are terminated, HUD may reinstate them at its discretion pursuant to such additional requirements as HUD may prescribe. A Section 236 subsidy agreement may be terminated at the option of, and upon written notice from, HUD after the expiration of one year from the date of the termination of HUD subsidy payments, unless such payments have been reinstated.

Under the provisions of the Section 236 subsidy agreement, HUD may terminate subsidy payments with respect to a project upon default under the Section 236 subsidy agreement by the mortgagor or Rhode Island Housing or the institution by Rhode Island Housing of foreclosure proceedings unless Rhode Island Housing (a) gives to HUD in advance written notice of its intention to institute such foreclosure, and (b) submits to HUD in advance a plan acceptable to HUD providing for the continuity of eligibility of the project for receiving the benefits of Section 236.

HUD may terminate subsidy payments with respect to a project if the project is acquired by an owner who is not an eligible mortgagor under Section 236. Each mortgagor has covenanted not to transfer a project except to an eligible mortgagor, and has covenanted in the Section 236 mortgage not to transfer the project without the consent of Rhode Island Housing.

Under Section 236, the mortgagor is permitted to charge (a) a basic or subsidized rental charge for each subsidized dwelling unit in the project (the “basic rent”), determined on the basis of the anticipated operating costs of the project and the payment that would have been required for principal and interest if the Section 236 mortgage note called for interest at a rate of 1% per annum, and (b) a fair market rental charge for each such unit, determined on the basis of the anticipated operating costs of the project and payment of principal and interest that the mortgagor is obligated to pay under the Section 236 mortgage. The rent charged for each subsidized unit (the “tenant unit”) is the greater of the basic rent or 25% of the tenant’s adjusted monthly income, but in no event may the mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Tenant rents may not be increased as a consequence of a mortgage being foreclosed and a substitute mortgage entered into. The mortgagor is required to remit monthly to HUD all tenant rents for subsidized units collected in excess of the basic rent, provided that in certain circumstances such excess rents may, with HUD’s consent, be used for project related purposes. Among HUD’s numerous potential remedies against the mortgagors who do not remit excess rents are the suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will use against affected mortgagors.

The mortgagor covenants in the Section 236 subsidy agreement to limit admission to the subsidized dwelling units of the project to those families whose incomes do not exceed the applicable limits prescribed by HUD. The Section 236 subsidy agreement contains other covenants relating to the preference for occupancy for certain displaced or low-income families, the compliance with applicable civil rights prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and number of subsidized units which may be rented to any one tenant at any one time. HUD has the authority to suspend or terminate subsidy payments at any time upon default by the mortgagor under any such covenants as well as or upon any other default by the mortgagor or Rhode Island Housing on the terms of and conditions of the Section 236 subsidy agreement.

FHA Insurance. The Federal Housing Administration has insured Rhode Island Housing’s Section 236 mortgage loans pursuant to Section 236 of the National Housing Act. Applicable FHA regulations are contained in 24 C.F.R. Part 236 which, with certain exceptions (requiring payment of insurance benefits in cash or FHA Debentures, at the option of the mortgagee), incorporates by reference the provisions of 24 C.F.R. Part 207 (covering mortgages insured under Section 207 of the National Housing Act). The following summary is qualified in its entirety by reference to those regulations and sections of the National Housing Act.

The National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing and FHA regulatory agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days the mortgagee (Rhode Island Housing) must give notice to FHA of the default and of its intention to file an insurance claim. Promptly thereafter, unless FHA agrees otherwise, the mortgagee will take the necessary steps to file a claim for insurance. Under FHA regulations, the mortgagee may either assign the mortgage note (and the mortgage) to FHA or acquire title to the project by foreclosure and convey it to FHA. If Rhode Island Housing were to acquire title to the project and convey it to FHA, the expenses of foreclosure proceedings would be payable out of the proceeds received on account of the insurance claim. The Bond Resolution requires Rhode Island Housing to assign a defaulted mortgage note (and mortgage) to FHA.

In connection with a claim for insurance benefits, FHA may require delivery to it of certain cash items. Cash items include the balance in certain accounts held by or on behalf of the mortgagee pursuant to FHA regulatory requirements.

In the event of a default on a mortgage note, its assignment to FHA and the filing of a claim for FHA insurance, FHA will pay FHA mortgage insurance benefits in cash (unless FHA is requested by the mortgagee to pay in FHA Debentures), in an amount equal to the sum of (a) the unpaid principal amount of the mortgage note computed as of the date of default, (b) certain eligible payments (such as taxes, insurance, special assessments and water rates) made by the mortgagee and (c) interest on the insurance proceeds from the date of default at the applicable FHA debenture rate (which interest may be limited if certain notices are not given to FHA within the prescribed time periods), less certain amounts realized by the mortgagee from the owner, including cash items.

Typically, 70% of mortgage insurance benefits are paid by FHA within 60 days, and the balance within six months, but there is no legal requirement for FHA to pay within those time periods, and there can be no assurance there would not be substantial delays in receiving payments from FHA.

STATE OF RHODE ISLAND RENTAL ASSISTANCE PROGRAM

The Rhode Island Rental Assistance Program (the “Assistance Program”) is a state rental assistance program, which provides rental assistance payments to certain persons and entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island (“Owners”), 50% of the units of which are available to and affordable by individuals or families (“Low-income Tenants”) whose total income does not exceed 60% of the median family income adjusted for family size for the area in which the development is located, as determined annually by HUD. Units for which rent charged does not exceed the maximum Fair Market Rents established by HUD for the Section 8 Existing Housing Program are considered available for occupancy by Low-income Tenants.

The Assistance Program is administered by Rhode Island Housing on behalf of the Executive Department of the State of Rhode Island (the “Department”) in accordance with regulations promulgated by the Department. Under the Assistance Program, the Department enters into contracts with Owners for a term not to exceed 20 years under which the Department agrees to make rental assistance payments to the Owners for each assisted unit in the development actually occupied by Low-income Tenants, and the Owner agrees that the assisted units will remain available for occupancy by Low-income Tenants in perpetuity, or until the Department determines that the units may be otherwise utilized. The Assistance Program, which began in 1989, are subject to an annual appropriation by the Rhode Island General Assembly.

Monthly rental assistance payments made under the Assistance Program are equal to the difference between an amount equal to 30% of the tenants adjusted income and an amount equal to the sum of (a) the fair market rent for the assisted unit plus (b) a utility allowance determined by the Department.

The obligations and restrictions arising out of any contracts executed in connection with the Assistance Program are binding upon all subsequent owners of the development.

Rhode Island Housing has funded all or a portion of the State’s obligations for Rental Subsidy Payments for most years since fiscal 1990. In the period between fiscal 1995 through fiscal 2007, Rhode Island Housing has made the annual payment on behalf of the State in amounts ranging from approximately \$3.7 million to \$4.2 million. Rental Subsidy Payments are determined pursuant to contracts that extend to 2012.

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CERTAIN INFORMATION PROVIDED BY THE BANK

The following information contained in this APPENDIX F has been obtained from the Bank for inclusion herein. Such information is not guaranteed as to accuracy or completeness by Rhode Island Housing or the Underwriters and is not to be construed as a representation by Rhode Island Housing or the Underwriters. Neither Rhode Island Housing nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

Dexia Credit Local (the “Bank”) is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. The Bank is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 24 billion euros as of December 31, 2006, the Dexia Group ranks in the top third of the Euronext 100 companies.

The Bank specializes in the Dexia Group’s first line of business – public and project finance and financial services for the public sector. The Bank has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, the Bank is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. The Bank also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

The Bank is a bank with its principal office located in Paris, France. In issuing the facility, the Bank will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia Credit Local, Paris. The Bank is the leading local authority lender in Europe, funding its lending activities in 2006 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2006, total funding raised by the Bank and Dexia Municipal Agency was 15.7 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2006, the Bank had total consolidated assets of 304 billion euros, outstanding medium and long-term loans to customers of 241 billion euros and shareholders’ equity of over 7.98 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 1.082 billion euros. These figures were determined in accordance with generally accepted accounting principles in France. The Bank maintains its records and prepares its financial statements in euros. At December 31, 2006, the exchange rate was 1.0000 euro equals 1.317 United States dollar. Such exchange rate fluctuates from time to time.

The Bank is rated Aa1 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

The Bank will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

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PROPOSED FORM OF BOND COUNSEL OPINION

December ____, 2007

Rhode Island Housing and Mortgage
Finance Corporation
44 Washington Street
Providence, Rhode Island 02903

Dear Commissioners:

We have examined the Constitution and the laws of the State of Rhode Island and Providence Plantations (the "State") and a record of proceedings relating to the issuance of \$26,290,000 aggregate principal amount of Housing Bonds, 2007 Series B-1A (AMT) (Rental Housing Program) (the "2007 Series B-1A Bonds") and \$19,270,000 aggregate principal amount of Housing Bonds, 2007 Series B-1B (AMT) (Rental Housing Program) (the "2007 Series B-1B Bonds," and together with the 2007 Series B-1A Bonds, the "2007 Series B Bonds") of the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing"), a public corporation and instrumentality and agency of the State created by and pursuant to Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The 2007 Series B Bonds are issued pursuant to the Act and a resolution adopted by Rhode Island Housing on August 17, 1988, entitled "General Housing Program Bond Resolution" (the "General Resolution"), as supplemented by a supplemental resolution thereunder adopted by Rhode Island Housing on October 18, 2007 (the General Resolution, as so supplemented, is herein called the "Resolution"). The 2007 Series B Bonds, bonds heretofore issued under the General Resolution and any additional bonds which may be issued under the General Resolution are herein called the "Bonds."

The 2007 Series B Bonds are dated, will mature on the dates and in the principal amounts, bear interest at the rates per annum, are subject to redemption prior to maturity and are otherwise as described in the Resolution.

The 2007 Series B Bonds are issued for the principal purpose of providing funds to carry out the Housing Program as described in the Resolution by financing Mortgage Loans (as defined in the Resolution). Rhode Island Housing is authorized to issue Bonds, in addition to the 2007 Series B Bonds, upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2007 Series B Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. Any capitalized terms used and not otherwise defined herein are used as defined in the Resolution.

We are of the opinion that:

1. Under the Constitution and laws of the State, Rhode Island Housing has been duly created and validly exists, and Rhode Island Housing has good, right and lawful authority, among other things, to carry out its Housing Program, to provide sufficient funds therefor by the

adoption of the Resolution and the issuance and sale of the 2007 Series B Bonds, and to perform its obligations under the terms and conditions of the Resolution.

2. The Resolution has been duly adopted by Rhode Island Housing, is in full force and effect, and is valid and binding upon Rhode Island Housing and enforceable in accordance with its terms.

3. The 2007 Series B Bonds are valid and legally binding special revenue obligations of Rhode Island Housing payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The 2007 Series B Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates a valid pledge of and lien on the Mortgage Loans, the Revenues and all amounts held in any Account established by the Resolution (except the Rebate Account), including investments thereof, as such terms are used in the Resolution, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

5. The State is not liable on the 2007 Series B Bonds, and the 2007 Series B Bonds are not a debt of the State. Neither the faith, credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2007 Series B Bonds.

6. Under existing statutes and court decisions, (i) interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2007 Series B Bond for any period during which such 2007 Series B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities financed with the proceeds of the 2007 Series B Bonds or a "related person" and (ii) interest on the 2007 Series B Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the developers of the projects financed with the proceeds of the 2007 Series B Bonds and others in connection with the 2007 Series B Bonds, and we have assumed compliance by Rhode Island Housing and the developers of the projects financed with the proceeds of the 2007 Series B Bonds with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2007 Series B Bonds from gross income under Section 103 of the Code.

7. Pursuant to the provisions of the Act, income on the 2007 Series B Bonds (including any profit on the sale thereof) is free from State personal income taxes.

The opinions expressed in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, moratorium, reorganization insolvency or other laws heretofore or hereafter enacted affecting creditors' rights or remedies and are subject to application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law. We have examined an executed 2007 Series B Bond, and, in our opinion, the form of such 2007 Series B Bond and its execution are regular and proper.

Except as stated in paragraphs 6 and 7 above, we express no opinion regarding any other federal or state tax consequences with respect to the 2007 Series B Bonds. We are rendering our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, that hereafter come to our attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2007 Series B Bonds, or under state and local tax law.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2007 Series B Bonds.

This opinion is issued as of the date hereof, as we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security") for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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