

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

**Financial Statements and Supplementary Information
For the Years Ended June 30, 2012 and 2011**



A Limited Liability Partnership

10 Weybosset Street, Suite 700, Providence, RI 02903 • (p) 401.421.4800 • 1.800.927.LGCD • (f) 401.421.0643 • www.lgcd.com

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

**Financial Statements and Supplementary Information
June 30, 2012 and 2011**

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Combining Balance Sheets	10
Combining Statements of Revenues, Expenses and Changes in Fund Equity	12
Combining Statements of Cash Flows	14
Statements of Fiduciary Net Assets – Private Purpose Trust Component Unit	18
Statements of Changes in Fiduciary Net Assets – Private Purpose Trust Component Unit	19
Notes to Financial Statements	20
Independent Auditors' Report on Supplementary Information	53
Supplementary Schedules:	
Required Supplementary Information - Schedule of Funding Progress (Retiree Health Care Benefit Plan)	54
Combining Balance sheets – Single-Family Fund	55
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund	57
Combining Balance Sheets - Multi-Family Funds	59
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund	62



Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (Rhode Island Housing), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2012, 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 audit. The financial statements of Rhode Island Housing for the year ended June 30, 2011 were audited by other auditors whose report, dated September 29, 2011, expressed unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing as of June 30, 2012, and the changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

A Limited Liability Partnership

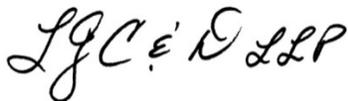
10 Weybosset Street, Suite 700, Providence, RI 02903 • (p) 401.421.4800 • 1.800.927.LGCD • (f) 401.421.0643 • www.lgcd.com

Independent Auditors' Report (Continued)

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2012 on our consideration of Rhode Island Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis presented on pages 3 through 9 and the Schedule of Funding Progress presented on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



September 28, 2012

Management's Discussion and Analysis

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

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2012 and 2011 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, 2012 and 2011 increased (decreased) from the previous year as follows:

	2012		2011	
	\$	%	\$	%
Mortgage loans, gross	(2.1)	(0.1)	12.2	0.7
Investments	0.8	0.3	19.8	7.9
Cash and cash equivalents	(12.7)	(5.5)	(59.4)	(20.6)
Total assets	(10.3)	(0.5)	(18.0)	(0.8)
Bonds and notes payable	(53.9)	(3.3)	(60.7)	(3.5)
Total fund equity	6.6	2.3	4.7	1.6
Total revenues	(0.5)	(0.5)	(6.4)	(5.7)
Total expenses	(2.4)	(2.3)	(1.5)	(1.5)
Operating income	1.9	39.8	(4.9)	(51.1)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production, which adds to the Corporation's loan portfolio, was lower than historical levels. Multi-family new loan production increased, resulting in an overall decrease to the loan portfolio of \$2.1 million.

Bonds and notes payable, the largest component of liabilities, decreased by approximately \$54 million in 2012. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities that 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.

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

Operating Activity of the Corporation

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

For the Years Ended June 30, 2012 and 2011 (in thousands)			
	2012	2011	% Change
Revenues:			
Interest income on loans	\$ 83,502	\$ 84,825	(1.6)%
Interest on investments	8,727	8,946	(2.4)
Other	8,078	10,183	(20.7)
Total revenues	100,307	103,954	(3.5)
Expenses:			
Interest expense	63,150	65,386	(3.4)
Provision for loan losses	2,431	3,277	(25.8)
REO expenditures	3,211	1,627	97.3
Amortization of deferred bond issuance costs	644	660	(2.4)
Early retirement of debt	966	856	12.9
Operating expenses	19,369	20,949	(7.5)
Other	9,443	8,843	6.8
Total expenses	99,214	101,598	(2.3)
Operating income, before adjusting investments to fair value	\$ 1,093	\$ 2,356	(53.6)%

For the Years Ended June 30, 2011 and 2010 (in thousands)

	2011	2010	% Change
Revenues:			
Interest income on loans	\$ 84,825	\$ 87,650	(3.2)%
Interest on investments	8,946	7,640	17.1
Gain on sale of treasury bonds	-	2,254	(100.0)
Other	10,183	9,960	2.2
Total revenues	103,954	107,504	(3.3)
Expenses:			
Interest expense	65,386	66,865	(2.2)
Provision for loan losses	3,277	4,288	(23.6)
REO expenditures	1,627	1,183	37.5
Amortization of deferred bond issuance costs	660	667	(1.0)
Early retirement of debt	856	417	105.3
Operating expenses	20,949	19,080	9.8
Other	8,843	10,607	(16.6)
Total expenses	101,598	103,107	(1.5)
Operating income, before adjusting investments to fair value	\$ 2,356	\$ 4,397	(46.4)%

Operating income, after adjusting investments to fair value, was \$6.6 million for the year ended June 30, 2012 (2012), \$4.7 million for the year ended June 30, 2011 (2011), and \$9.6 million for the year ended June 30, 2010 (2010). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$5.5 million in 2012 compared to an increase of \$2.3 million in 2011 and an increase of \$5.2 million in 2010. Operating income, excluding the unrealized gains and losses on investments, decreased 53.6% in 2012 to \$1.1 million from \$2.4 million in 2011, which had decreased 46.4% from \$4.4 million in 2010. The fluctuations are primarily due to the increase in program expenses related to the Neighborhood Opportunities Program and the decrease in administrative fees earned by the corporation on the Section 8 Contract Administration Program in 2012.

Other revenue consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs. Other revenue decreased to \$8.1 million in 2012 from \$10.2 million in 2011, which had increased from \$10.0 million in 2010, primarily due to a reduction in fees received on federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$19.4 million in 2012, a decrease of 7.5% from \$20.9 million in 2011, which had increased 9.8% from \$19.1 million in 2010. The Corporation places a high priority on controlling operating expenses. The decrease in 2012 is a direct result of increased controls on operating costs.

REO expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses increased by 97.3% to \$3.2 million in 2012 from \$1.6 million in 2011, which is a direct result of current market conditions causing an increase in the length of time properties are held by Rhode Island Housing.

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 slightly from \$28.4 million in 2011 to \$29.1 million in 2012. Interest income on loans decreased \$1.3 million in 2012 compared to a decrease of \$2.8 million in 2011. Interest income on investments remained consistent in 2012 after an increase of \$1.3 million in 2011. Net interest income as a percentage of average bonds and notes payable was 1.78% in 2012 and 1.68% in 2011, respectively. Interest income on loans as a percentage of total loans decreased from 4.93% in 2011 to 4.84% in 2012, while interest expense on bonds and notes remained consistent at approximately 3.9%, causing a net decrease in the spread margin (i.e., differential between loans and bonds) from 1.06% in 2011 to 0.97% in 2012. This is a result of continued lower borrowing costs during 2012.

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

The provision for loan losses decreased to \$2.4 million from \$3.3 million based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

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

In December 2009, the Corporation issued bonds under two indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single-family bonds under the Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the Multi-Family Funding Bonds indenture. As of June 30, 2012, approximately \$32 million of single-family bonds are still available to be issued.

Financial Analysis of the Corporation

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

June 30, 2012 and 2011 (in millions)			
	2012	2011	% Change
Loans receivable, net	\$ 1,694	\$ 1,691	0.2%
Investments	271	270	0.3
Cash and cash equivalents	217	229	(5.5)
Other assets	62	64	(2.9)
Total assets	2,244	2,254	(0.5)
Bonds and notes payable	1,603	1,657	(3.3)
Total liabilities	1,947	1,964	(0.9)
Fund equity:			
Invested in capital assets	9	9	(5.7)
Restricted	236	234	0.7
Unrestricted	52	47	11.9
June 30, 2011 and 2010 (in millions)			
	2011	2010	% Change
Loans receivable, net	\$ 1,691	\$ 1,676	0.9%
Investments	270	250	7.9
Cash and cash equivalents	229	289	(20.6)
Other assets	64	57	11.4
Total assets	2,254	2,272	(0.8)
Bonds and notes payable	1,657	1,717	(3.5)
Total liabilities	1,964	1,987	(1.1)
Fund equity:			
Invested in capital assets	9	9	0.3
Restricted	234	232	1.0
Unrestricted	47	45	5.2

At June 30, 2012, total assets of the Corporation decreased 0.5% from June 30, 2011, as compared to a 0.8% decrease from 2010 to 2011. Net loans receivable increased \$3.4 million, or 0.2%, from the previous year to \$1.694 billion as of June 30, 2012. Bonds and notes payable totaled \$1.603 billion as of June 30, 2012, a decrease of \$54 million, or 3.3%, from June 30, 2011, which had decreased \$60.7 million, or 3.5%, from June 30, 2010. During 2012, \$97.9 million of bonds were issued to fund single-family loans and \$26.1 million of bonds were issued to fund multi-family loans. During the same period, \$134.9 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose. During 2011, \$50 million of bonds were issued to fund single-family loans and \$83.5 million of bonds were issued to fund multi-family loans. During the same period, \$50.4 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2012 and June 30, 2011, the equity-to-asset ratio was 13.2% and 12.9%, respectively, and the loan-to-asset ratio was 75.5% and 75.0%, respectively. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2012 and 2011, single-family residential mortgages in bond resolutions decreased from \$1.1 billion to \$1.0 billion and multi-family loans in bond resolutions totaled \$392.7 million and \$375.2 million, respectively.

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

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

External Influences

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently 10.9% while the national rate is 8.2%. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. The Corporation's loans (1) do not include sub-prime loans, (2) are conservatively underwritten and (3) represent financing of a borrower's first home; however, the Corporation's delinquency experience is directly impacted by the high unemployment and economic burdens of the State's residents.

In February 2011, the U.S. Department of the Treasury established the Hardest Hit Fund to provide targeted aid to families in states hit hard by the economic and housing market downturn. Rhode Island has been chosen to receive assistance as one of the states struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn. The Corporation is helping our borrowers through the application process, to obtain federal aid available in the Hardest Hit Fund to provide funds for mortgage payment assistance for unemployed or underemployed homeowners, funds for principal reduction and loan modification to help homeowners get into more affordable mortgages and funds for homeowners transitioning out of their homes.

As of October 1, 2011, the U.S. Department of Housing and Urban Development (HUD) has made changes to their Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract, HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees earned by the Corporation. The current contract has been extended by HUD through December 31, 2012. At a later date, HUD will issue a Notice of Funding Availability to award the contract on a more long-term basis. The Corporation has taken steps to reduce both operating and programmatic expenses to offset the expected reduction in fees from this program.

Requests for Information

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

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets
June 30, 2012 and 2011

	Operating Fund		Single-Family Fund	
	2012	2011	2012	2011
Assets				
Loans receivable	\$ 316,538,938	\$ 281,070,717	\$ 1,013,742,039	\$ 1,068,902,926
Less allowance for loan losses	(18,400,000)	(32,872,334)	(10,200,000)	(1,260,983)
Loans receivable, net	298,138,938	248,198,383	1,003,542,039	1,067,641,943
Investments	102,557,914	105,309,336	111,021,147	110,965,050
Accrued interest-loans	688,758	814,430	3,868,610	3,998,019
Accrued interest-investments	28,151	39,314	468,595	602,533
Cash and cash equivalents	63,323,860	53,209,041	120,571,348	135,477,423
Accounts receivable	12,287,644	12,264,164	-	-
Deferred bond issuance costs, net	29,990	52,483	8,215,811	8,884,429
Other assets, net	14,897,411	17,745,774	18,957,555	17,366,629
Interfund receivable (payable)	(19,869)	(421,690)	19,869	10,997
Total Assets	\$ 491,932,797	\$ 437,211,235	\$ 1,266,664,974	\$ 1,344,947,023
Liabilities and Fund Equity				
Bonds and notes payable	\$ 98,885,984	\$ 84,610,123	\$ 1,103,136,501	\$ 1,174,864,267
Accrued interest payable on bonds and notes	193,593	138,035	11,098,847	12,495,219
Accounts payable and accrued liabilities	7,666,861	7,559,095	379,958	724,800
Deferred fees	6,554,936	6,167,833	301,986	345,877
Escrow deposits	308,728,247	272,072,493	-	-
Total liabilities	422,029,621	370,547,579	1,114,917,292	1,188,430,163
Fund Equity				
Invested in capital assets	8,624,214	9,144,237	-	-
Restricted	8,864,847	10,670,494	151,747,682	156,516,860
Unrestricted	52,414,115	46,848,925	-	-
Total fund equity	69,903,176	66,663,656	151,747,682	156,516,860
Total Liabilities and Fund Equity	\$ 491,932,797	\$ 437,211,235	\$ 1,266,664,974	\$ 1,344,947,023

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets
June 30, 2012 and 2011

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets				
Loans receivable	\$ 392,746,247	\$ 375,191,254	\$ 1,723,027,224	\$ 1,725,164,897
Less allowance for loan losses	-	-	(28,600,000)	(34,133,317)
Loans receivable, net	<u>392,746,247</u>	<u>375,191,254</u>	<u>1,694,427,224</u>	<u>1,691,031,580</u>
Investments	57,186,663	53,652,659	270,765,724	269,927,045
Accrued interest-loans	1,904,107	1,848,936	6,461,475	6,661,385
Accrued interest-investments	665,442	284,882	1,162,188	926,729
Cash and cash equivalents	32,622,055	40,511,777	216,517,263	229,198,241
Accounts receivable	-	-	12,287,644	12,264,164
Deferred bond issuance costs, net	206,321	187,995	8,452,122	9,124,907
Other assets, net	-	-	33,854,966	35,112,403
Interfund receivable (payable)	-	410,693	-	-
Total Assets	<u>\$ 485,330,835</u>	<u>\$ 472,088,196</u>	<u>\$ 2,243,928,606</u>	<u>\$ 2,254,246,454</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 400,765,801	\$ 397,207,235	\$ 1,602,788,286	\$ 1,656,681,625
Accrued interest payable on bonds and notes	3,462,362	3,400,772	14,754,802	16,034,026
Accounts payable and accrued liabilities	3,434,354	2,534,322	11,481,173	10,818,217
Deferred fees	66,750	67,226	6,923,672	6,580,936
Escrow deposits	2,335,523	1,715,596	311,063,770	273,788,089
Total liabilities	<u>410,064,790</u>	<u>404,925,151</u>	<u>1,947,011,703</u>	<u>1,963,902,893</u>
Fund Equity				
Invested in capital assets	-	-	8,624,214	9,144,237
Restricted	75,266,045	67,163,045	235,878,574	234,350,399
Unrestricted	-	-	52,414,115	46,848,925
Total fund equity	<u>75,266,045</u>	<u>67,163,045</u>	<u>296,916,903</u>	<u>290,343,561</u>
Total Liabilities and Fund Equity	<u>\$ 485,330,835</u>	<u>\$ 472,088,196</u>	<u>\$ 2,243,928,606</u>	<u>\$ 2,254,246,454</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
For the Years Ended June 30, 2012 and 2011

	Operating Fund		Single-Family Fund	
	2012	2011	2012	2011
Operating revenues:				
Interest income on loans	\$ 6,160,573	\$ 6,201,819	\$ 52,255,333	\$ 55,387,664
Interest income attributable to internal servicing activities	2,848,533	2,915,381	-	-
Total interest income on loans	<u>9,009,106</u>	<u>9,117,200</u>	<u>52,255,333</u>	<u>55,387,664</u>
Income on investments:				
Interest on investments	473,956	772,987	5,290,768	5,267,821
Net increase in fair value of investments	71,784	216,268	3,604,595	2,279,848
Fees	7,562,671	9,662,206	-	-
Servicing fee income	515,316	520,876	-	-
Total operating revenues	<u>17,632,833</u>	<u>20,289,537</u>	<u>61,150,696</u>	<u>62,935,333</u>
Operating expenses:				
Interest expense	1,606,163	1,273,828	48,036,417	51,181,410
Personnel services	13,390,335	14,699,270	-	-
Other administrative expenses	3,837,317	4,014,350	222,939	113,875
Housing initiatives	6,290,427	5,465,643	48,723	43,919
Provision for loan losses (recoveries)	(25,420)	212,778	2,455,892	3,064,633
REO expenditures	2,473,849	1,627,101	737,028	-
Arbitrage rebate	-	-	(261,152)	51,198
Amortization of deferred bond issuance costs	22,493	22,493	580,560	616,839
Early retirement of debt	-	-	966,365	627,666
Depreciation and amortization of other assets	1,275,699	1,410,923	405,278	455,678
State Rental Subsidy Program	1,793,492	2,370,586	-	-
Total operating expenses	<u>30,664,355</u>	<u>31,096,972</u>	<u>53,192,050</u>	<u>56,155,218</u>
Operating income (loss)	(13,031,522)	(10,807,435)	7,958,646	6,780,115
Transfers in (out) of fund equity	<u>16,271,042</u>	<u>18,665,355</u>	<u>(12,727,824)</u>	<u>(2,987,370)</u>
Total change in fund equity	3,239,520	7,857,920	(4,769,178)	3,792,745
Fund equity, beginning of year	<u>66,663,656</u>	<u>58,805,736</u>	<u>156,516,860</u>	<u>152,724,115</u>
Fund equity, end of year	<u>\$ 69,903,176</u>	<u>\$ 66,663,656</u>	<u>\$ 151,747,682</u>	<u>\$156,516,860</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
For the Years Ended June 30, 2012 and 2011

	Multi-Family Fund		Total	
	2012	2011	2012	2011
Operating revenues:				
Interest income on loans	\$ 22,237,516	\$ 20,320,292	\$ 80,653,422	\$ 81,909,775
Interest income attributable to internal servicing activities	-	-	2,848,533	2,915,381
Total interest income on loans	<u>22,237,516</u>	<u>20,320,292</u>	<u>83,501,955</u>	<u>84,825,156</u>
Income on investments:				
Interest on investments	2,962,410	2,904,946	8,727,134	8,945,754
Net increase in fair value of investments	1,803,483	(149,727)	5,479,862	2,346,389
Fees	-	-	7,562,671	9,662,206
Servicing fee income	-	-	515,316	520,876
Total operating revenues	<u>27,003,409</u>	<u>23,075,511</u>	<u>105,786,938</u>	<u>106,300,381</u>
Operating expenses:				
Interest expense	13,507,343	12,930,604	63,149,923	65,385,842
Personnel services	-	-	13,390,335	14,699,270
Other administrative expenses	237,756	254,446	4,298,012	4,382,671
Housing initiatives	671,402	618,923	7,010,552	6,128,485
Provision for loan losses (recoveries)	-	-	2,430,472	3,277,411
REO expenditures	-	-	3,210,877	1,627,101
Arbitrage rebate	900,033	293,146	638,881	344,344
Amortization of deferred bond issuance costs	40,657	20,388	643,710	659,720
Early retirement of debt	-	228,114	966,365	855,780
Depreciation and amortization of other assets	-	-	1,680,977	1,866,601
State Rental Subsidy Program	-	-	1,793,492	2,370,586
Total operating expenses	<u>15,357,191</u>	<u>14,345,621</u>	<u>99,213,596</u>	<u>101,597,811</u>
Operating income (loss)	<u>11,646,218</u>	<u>8,729,890</u>	<u>6,573,342</u>	<u>4,702,570</u>
Transfers in (out) of fund equity	<u>(3,543,218)</u>	<u>(15,677,985)</u>	<u>-</u>	<u>-</u>
Total change in fund equity	<u>8,103,000</u>	<u>(6,948,095)</u>	<u>6,573,342</u>	<u>4,702,570</u>
Fund equity, beginning of year	<u>67,163,045</u>	<u>74,111,140</u>	<u>290,343,561</u>	<u>285,640,991</u>
Fund equity, end of year	<u>\$ 75,266,045</u>	<u>\$ 67,163,045</u>	<u>\$ 296,916,903</u>	<u>\$ 290,343,561</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 9,134,778	\$ 8,888,040	\$ 52,384,742	\$ 55,436,046
Repayment of loans receivable	32,262,975	72,407,878	107,539,442	102,855,928
Fees collected	8,465,089	10,509,175	(43,892)	(46,967)
Other receipts (disbursements), net	36,655,754	35,979,505	-	(302)
Loans disbursed	(67,731,196)	(105,123,312)	(52,378,555)	(30,075,746)
Accounts receivable, net	(23,480)	(3,903,699)	-	-
Loss on loans receivable	(16,920,763)	(2,073,489)	5,746,097	(5,639,081)
Bond issuance costs	-	-	(878,305)	(399,748)
Personnel services	(13,390,335)	(14,699,269)	-	-
Other administrative expenses	(3,837,317)	(4,014,350)	(222,939)	(113,875)
Housing initiative expenses	(6,290,428)	(5,465,643)	(48,723)	(43,919)
Other assets	1,572,664	(158,782)	(1,996,206)	(5,051,312)
Arbitrage rebate	-	-	261,151	(51,198)
Accounts payable and accrued liabilities	107,767	1,938,580	(344,841)	(349,019)
State Rental Subsidy Program	(1,793,492)	(2,370,586)	-	-
Transfers from (to) other programs	15,869,222	7,182,521	(12,736,696)	(3,047,828)
Net cash provided by (used) for operating activities	<u>(5,918,762)</u>	<u>(903,431)</u>	<u>97,281,275</u>	<u>113,472,979</u>
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	275,350,000	294,600,000	98,530,229	50,001,201
Payment of bond and note principal	(261,074,139)	(291,037,700)	(170,257,995)	(112,338,887)
Interest paid on bonds and notes	(1,550,604)	(1,240,426)	(49,432,788)	(51,762,487)
Net cash provided by (used) for noncapital financing activities	<u>12,725,257</u>	<u>2,321,874</u>	<u>(121,160,554)</u>	<u>(114,100,173)</u>
Cash Flows from Investing Activities:				
Redemption of investments	3,177,728	9,656,809	25,032,637	23,089,711
Income on investments	485,118	782,143	5,424,706	5,275,489
Purchase of investments	(354,522)	(7,748,023)	(21,484,139)	(40,653,317)
Net cash provided by (used) for investing activities	<u>3,308,324</u>	<u>2,690,929</u>	<u>8,973,204</u>	<u>(12,288,117)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,114,819	4,109,372	(14,906,075)	(12,915,311)
Cash and Cash Equivalents, beginning of year	53,209,041	49,099,669	135,477,423	148,392,734
Cash and Cash Equivalents, end of year	<u><u>\$ 63,323,860</u></u>	<u><u>\$ 53,209,041</u></u>	<u><u>\$ 120,571,348</u></u>	<u><u>\$ 135,477,423</u></u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	Multi-Family Fund		Total	
	2012	2011	2012	2011
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 22,182,343	\$ 20,069,702	\$ 83,701,863	\$ 84,393,788
Repayment of loans receivable	8,585,521	3,084,565	148,387,938	178,348,371
Fees collected	(476)	476	8,420,721	10,462,684
Other receipts (disbursements), net	619,927	398,267	37,275,681	36,377,470
Loans disbursed	(26,140,514)	(55,331,864)	(146,250,265)	(190,530,922)
Accounts receivable, net	-	-	(23,480)	(3,903,699)
Loss on loans receivable	-	-	(11,174,666)	(7,712,570)
Bond issuance costs	(58,982)	-	(937,287)	(399,748)
Personnel services	-	-	(13,390,335)	(14,699,269)
Other administrative expenses	(237,756)	(254,447)	(4,298,012)	(4,382,672)
Housing initiative expenses	(671,403)	(618,924)	(7,010,554)	(6,128,486)
Other assets	-	-	(423,542)	(5,210,094)
Arbitrage rebate	(900,033)	(293,146)	(638,882)	(344,344)
Accounts payable and accrued liabilities	900,033	(47,270)	662,959	1,542,291
State Rental Subsidy Program	-	-	(1,793,492)	(2,370,586)
Transfers from (to) other programs	(3,132,526)	(4,134,693)	-	-
Net cash provided by (used) for operating activities	1,146,134	(37,127,334)	92,508,647	75,442,214
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	26,151,440	83,576,089	400,031,669	428,177,290
Payment of bond and note principal	(22,592,874)	(85,487,954)	(453,925,008)	(488,864,541)
Interest paid on bonds and notes	(13,445,752)	(12,626,289)	(64,429,144)	(65,629,202)
Net cash provided by (used) for noncapital financing activities	(9,887,186)	(14,538,154)	(118,322,483)	(126,316,453)
Cash Flows from Investing Activities:				
Redemption of investments	412,205	2,130,892	28,622,570	34,877,412
Income on investments	2,581,851	2,881,611	8,491,675	8,939,243
Purchase of investments	(2,142,726)	(3,894,142)	(23,981,387)	(52,295,482)
Net cash provided by (used) for investing activities	851,330	1,118,361	13,132,858	(8,478,827)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,889,722)	(50,547,127)	(12,680,978)	(59,353,066)
Cash and Cash Equivalents, beginning of year	40,511,777	91,058,904	229,198,241	288,551,307
Cash and Cash Equivalents, end of year	<u>\$ 32,622,055</u>	<u>\$ 40,511,777</u>	<u>\$ 216,517,263</u>	<u>\$ 229,198,241</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (13,031,522)	\$ (10,807,435)	\$ 7,958,646	\$ 6,780,115
Adjustments:				
Income on investments	(485,118)	(782,143)	(5,424,706)	(5,275,489)
Net (increase) decrease in fair value of investments	(71,784)	(216,268)	(3,604,595)	(2,279,848)
Interest paid on bonds and notes	1,550,604	1,240,426	49,432,788	51,762,487
Transfer of investments and/or fund equity	16,271,042	18,665,355	(12,727,824)	(2,987,370)
(Increase) decrease in assets:				
Loans receivable/loss allowance	(49,940,555)	(32,949,043)	64,099,904	70,205,732
Accrued interest-loans	125,672	(229,160)	129,409	48,383
Accrued interest-investments	11,163	9,156	133,938	7,669
Accounts receivable	(23,480)	(3,903,700)	-	-
Deferred bond issuance costs	22,493	22,493	668,618	844,758
Other assets	2,848,363	1,252,142	(1,590,926)	(4,595,635)
Interfund receivable (payable)	(401,821)	(11,482,834)	(8,872)	(60,458)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	55,558	33,402	(1,396,372)	(581,076)
Accounts payable/accrued liabilities	107,766	1,938,580	(344,842)	(349,019)
Deferred fees	387,103	326,269	(43,891)	(46,968)
Escrow deposits	36,655,754	35,979,329	-	(302)
Total adjustments	<u>7,112,760</u>	<u>9,904,004</u>	<u>89,322,629</u>	<u>106,692,864</u>
Net cash provided by (used) for operating activities	<u>\$ (5,918,762)</u>	<u>\$ (903,431)</u>	<u>\$ 97,281,275</u>	<u>\$ 113,472,979</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 11,646,218	\$ 8,729,890	\$ 6,573,342	\$ 4,702,570
Adjustments:				
Income on investments	(2,581,851)	(2,881,611)	(8,491,675)	(8,939,243)
Net (increase) decrease in fair value of investments	(1,803,483)	149,727	(5,479,862)	(2,346,389)
Interest paid on bonds and notes	13,445,752	12,626,289	64,429,144	65,629,202
Transfer of investments and/or fund equity	(3,543,218)	(15,677,985)	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(17,554,993)	(52,247,299)	(3,395,644)	(14,990,610)
Accrued interest-loans	(55,171)	(250,590)	199,910	(431,367)
Accrued interest-investments	(380,560)	(23,337)	(235,459)	(6,512)
Accounts receivable	-	-	(23,480)	(3,903,700)
Deferred bond issuance costs	(18,326)	248,502	672,785	1,115,753
Other assets	-	-	1,257,437	(3,343,493)
Interfund receivable (payable)	410,693	11,543,292	-	-
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	61,590	304,315	(1,279,224)	(243,359)
Accounts payable/acrued liabilities	900,032	(47,270)	662,956	1,542,291
Deferred fees	(476)	476	342,736	279,777
Escrow deposits	619,927	398,267	37,275,681	36,377,294
Total adjustments	(10,500,084)	(45,857,224)	85,935,305	70,739,644
Net cash provided by (used) for operating activities	\$ 1,146,134	\$ (37,127,334)	\$ 92,508,647	\$ 75,442,214

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, 2012 and 2011

	<u>Affordability Housing Trust</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Loans receivable	\$ 42,505,849	\$ 42,808,374
Less allowance for loan losses	(3,300,000)	(1,320,729)
Loans receivable, net	<u>39,205,849</u>	<u>41,487,645</u>
Investments	5,229,019	5,272,939
Accrued interest-loans	107,267	108,471
Accrued interest-investments	4,601	10,059
Cash and cash equivalents	21,200,671	17,259,576
Accounts receivable	177,795	244,078
Other assets, net	<u>3,104,836</u>	<u>3,541,468</u>
Total Assets	<u><u>\$ 69,030,038</u></u>	<u><u>\$ 67,924,236</u></u>
Liabilities and Net Assets		
Deferred fees	\$ 2,125,538	\$ 2,072,879
Total liabilities	<u>2,125,538</u>	<u>2,072,879</u>
Net Assets		
Held in trust	<u>66,904,500</u>	<u>65,851,357</u>
Total Liabilities and Net Assets	<u><u>\$ 69,030,038</u></u>	<u><u>\$ 67,924,236</u></u>

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, 2012 and 2011

	Affordability Housing Trust	
	2012	2011
Revenues:		
Interest income on loans	\$ 1,693,540	\$ 1,675,122
Income on investments:		
Interest on investments	50,898	29,505
Net increase (decrease) in fair value of investments	(35,306)	15,055
Trust receipts	1,322,601	1,432,763
Fees	-	99,772
Total revenues	3,031,733	3,252,217
Expenses:		
Amortization of other assets	52,659	-
Provision for loan losses	1,925,931	-
Total expenses	1,978,590	-
Total change in net assets	1,053,143	3,252,217
Net assets, beginning of year	65,851,357	62,599,140
Net assets, end of year	\$ 66,904,500	\$ 65,851,357

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

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

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

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. Through the application of GASB Statement Nos. 14 and 39, 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 the financial information of the Corporation.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

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

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

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The Corporation has the option of following private-sector guidance, issued subsequent to November 30, 1989, subject to this same limitation; however, the Corporation has elected not to follow subsequent private-sector guidance.

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.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

d. Loans Receivable and Allowance for Loan Losses

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

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

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

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

e. Cash and Cash Equivalents

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

f. Investments

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

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

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

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

Costs relating to issuing bonds are capitalized and 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 amortized over the shorter of the life of the old or new bonds.

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

The Corporation periodically retires bonds prior to their redemption date. Unamortized deferred bond issuance costs, along with any premium paid on the call, related to the early retirement of bonds that are not refunded, are reported in the statement of revenues, expenses and changes in fund equity.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

h. Other Assets

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

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

i. Fund Equity

Fund equity is classified in the following three components: invested in capital assets, restricted, and unrestricted. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted fund equity consists of fund equity for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Unrestricted fund equity consists of fund equity not included in invested in capital assets or restricted fund equity.

The Corporation classifies all fund equity amounts associated with its bond resolutions as restricted fund equity. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such 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. Transfers during the year ended June 30, 2012 include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond programs.

At June 30, 2012 and 2011, restricted fund equity in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$8,864,847 and \$10,670,494, respectively.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

j. 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.

k. 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.

2. Restricted Assets

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

At June 30, 2012 and 2011, all assets in the Corporation’s Single-Family and Multi-Family Funds; and \$164,414,619 and \$157,186,312, respectively, of investments and cash and cash equivalents and \$180,278,431 and \$136,359,475, respectively, of loans receivable and other assets in the Corporation’s Operating Fund are restricted.

3. Loans Receivable

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

	2012	2011
Private Mortgage Insurance	\$ 559,745,903	\$ 601,450,237
FHA Insurance	179,295,092	164,338,911
VA Guaranteed	15,869,905	17,380,059
USDA/RD Guaranteed	12,617,111	6,250,155
Uninsured	246,214,028	279,483,564
Total	\$ 1,013,742,039	\$ 1,068,902,926

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

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2012, of \$270,650,753 and \$10,927,740, respectively, and at June 30, 2011, of \$221,559,578 and \$11,121,692, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2012 loan balances of \$7,213,550 in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with the Federal National Mortgage Association (FNMA) whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of June 30, 2012 no transactions have occurred under this contract.

In both the Single-Family Fund and the Multi-Family Fund, 98% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2012 and 2011. For the years ended June 30, 2012 and 2011, 34% and 35%, respectively, of the Operating Fund's loan portfolio is in first lien position, while 39% of the Affordability Housing Trust Fund's loan portfolio is in first lien position.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the years ended June 30, 2012 and 2011, interest received under such deferred loan arrangements was \$808,888 and \$555,415 in the Operating Fund and \$87,674 and \$83,631 in the Single-Family Fund, respectively. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$161,216,778 and \$130,249,905 at June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, principal outstanding under such deferred and non-interest bearing loan arrangements is as follows:

	2012	2011
Operating Fund:		
Single-family loans	\$ 50,714,832	\$ 35,510,731
Multi-family loans	173,339,080	153,373,893
Subtotal	224,053,912	188,884,624
Single-Family Fund:		
Single-family loans	9,841,497	9,512,849
Total	\$ 233,895,409	\$ 198,397,473

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2012 and 2011, principal outstanding under such non-accrual status loans is as follows:

	2012	2011
Operating Fund:		
Single-family loans	\$ 5,354,154	\$ 4,690,687
Multi-family loans	1,117,700	1,076,694
Subtotal	6,471,854	5,767,381
Single-Family Fund:		
Single-family loans	74,834,200	80,963,208
Total	\$ 81,306,054	\$ 86,730,589

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

	2012	2011
Balance at beginning of year	\$ 34,133,317	\$ 36,941,375
Loans charged off, net of recoveries	(7,640,724)	(2,824,460)
Write down of REO properties	(323,065)	(3,061,073)
Provisions for loan losses	2,430,472	3,077,475
Balance at end of year	\$ 28,600,000	\$ 34,133,317

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the “Mortgage Lender’s Reserve Account”). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At June 30, 2012 and 2011, the Mortgage Lenders Reserve Account totaled \$1,001,537 and \$1,134,839, respectively.

4. Cash and Cash Equivalents and Investments

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

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

Principally all cash and cash equivalents are categorized as Category A in the Single-Family Fund and the Multi-Family Fund and as Category C in the Operating Fund.

Cash and cash equivalents include short-term investments of \$32,033,326 and \$67,162,042 as of June 30, 2012 and 2011, respectively. Such amounts consist of open ended mutual funds invested in short-term securities that are issued or guaranteed by the U.S. Government or U.S. Government Agencies. The Corporation’s short-term investments are not subject to custodial credit risk disclosures.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

Cash and cash equivalents of Rhode Island Housing, exclusive of short-term investments, were exposed to custodial credit risk at June 30, 2012 and 2011 as follows:

June 30, 2012				
Category				Total Bank Balance
A	C	Insured		
Operating Fund	\$ 492,712	\$ 44,946,616	\$ 2,120,143	\$ 47,559,471
Single-Family Fund	86,073,218	-	-	86,073,218
Multi-Family Fund	32,573,218	-	-	32,573,218
Trust	6,682,658	14,056,707	250,000	20,989,365
Subtotal	125,821,806	59,003,323	2,370,143	187,195,272
Escrows	54,967,620	703,439	-	55,671,059
Total	<u>\$ 180,789,426</u>	<u>\$ 59,706,762</u>	<u>\$ 2,370,143</u>	<u>\$ 242,866,331</u>
June 30, 2011				
Category				Total Bank Balance
A	C	Insured		
Operating Fund	\$ 577,556	\$ 41,713,811	\$ 1,159,645	\$ 43,451,012
Single-Family Fund	79,942,772	-	-	79,942,772
Multi-Family Fund	26,398,740	-	-	26,398,740
Trust	6,660,158	10,281,111	250,000	17,191,269
Subtotal	113,579,226	51,994,922	1,409,645	166,983,793
Escrows	16,075,661	31,749	-	16,107,410
Total	<u>\$ 129,654,887</u>	<u>\$ 52,026,671</u>	<u>\$ 1,409,655</u>	<u>\$ 183,091,203</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.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

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

The Operating Fund holds one investment with a maturity of greater than 5 years. This investment is a marketable security that is used for collateral in support of a long-term letter of credit.

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

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

At June 30, 2012 and 2011, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2012			Total
	1 year or less	>1 to 5 Years	>5 Years	
Operating Fund:				
U.S. Government Obligations	\$ 14,570,778	\$ -	\$ 2,666,298	\$ 17,237,076
Single-Family Fund:				
U.S. Government Obligations	-	-	100,983,065	100,983,065
U.S. Agency Obligations	-	2,361,986	-	2,361,986
Guaranteed Investment Contracts	4,792,601	-	2,883,495	7,676,096
Total Single-Family Fund	<u>4,792,601</u>	<u>2,361,986</u>	<u>103,866,560</u>	<u>111,021,147</u>
Multi-Family Fund:				
U.S. Government Obligations	-	39,277	40,000	79,277
U.S. Agency Obligations	-	1,674,682	22,389,963	24,064,645
Guaranteed Investment Contracts	-	1,697,083	31,345,658	33,042,741
Total Multi-Family Fund	<u>-</u>	<u>3,411,042</u>	<u>53,775,621</u>	<u>57,186,663</u>
Escrows*	<u>-</u>	<u>85,320,838</u>	<u>-</u>	<u>85,320,838</u>
Subtotal	<u>19,363,379</u>	<u>91,093,866</u>	<u>160,308,479</u>	<u>270,765,724</u>
Trust:				
U.S. Agency Obligations	<u>239,079</u>	<u>4,989,940</u>	<u>-</u>	<u>5,229,019</u>
Total	<u>\$ 19,602,458</u>	<u>\$ 96,083,806</u>	<u>\$ 160,308,479</u>	<u>\$ 275,994,743</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	June 30, 2011			Total
	1 year or less	>1 to 5 Years	>5 Years	
Operating Fund:				
U.S. Government Obligations	\$ 16,189,341	\$ -	\$ 2,599,149	\$ 18,788,490
Single-Family Fund:				
U.S. Government Obligations	-	-	89,808,590	89,808,590
U.S. Agency Obligations	-	-	2,304,278	2,304,278
Guaranteed Investment Contracts	-	-	18,852,182	18,852,182
Total Single-Family Fund	<u>-</u>	<u>-</u>	<u>110,965,050</u>	<u>110,965,050</u>
Multi-Family Fund:				
U.S. Government Obligations	-	39,277	40,000	79,277
U.S. Agency Obligations	-	-	22,269,388	22,269,388
Guaranteed Investment Contracts	-	1,736,533	29,567,461	31,303,994
Total Multi-Family Fund	<u>-</u>	<u>1,775,810</u>	<u>51,876,849</u>	<u>53,652,659</u>
Escrows*	<u>86,520,846</u>	<u>-</u>	<u>-</u>	<u>86,520,846</u>
Subtotal	<u>102,710,187</u>	<u>1,775,810</u>	<u>165,441,048</u>	<u>269,927,045</u>
Trust:				
U.S. Agency Obligations	<u>249,904</u>	<u>5,023,035</u>	<u>-</u>	<u>5,272,939</u>
Total	<u>\$ 102,960,091</u>	<u>\$ 6,798,845</u>	<u>\$ 165,441,048</u>	<u>\$ 275,199,984</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.

Included in United States Government Obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by the Government National Mortgage Association (GNMA). The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single Family and Operating Funds and are carried at fair value totaling \$103,649,363 and \$92,407,738 at June 30, 2012 and 2011, respectively.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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 contain policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

At June 30, 2012 and 2011, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

Rating Investment	June 30, 2012	
	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	2,361,986	7,676,095
Multi-Family Fund	24,064,645	33,042,741
Trust	5,229,019	-

Rating Investment	June 30, 2011	
	AAA/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	2,304,279	18,852,182
Multi-Family Fund	22,269,388	31,303,994
Trust	5,272,939	-

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

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

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

At June 30, 2012 and 2011, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

At June 30, 2012 and 2011, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

Issuer	June 30, 2012	
	Multi-Family Fund	Trust
Federal Farm Credit Bank	\$ 11,885,319	\$ -
Federal Home Loan Bank	9,948,727	-
HSBC Bank	33,042,741	-
Federal National Mtg. Assoc.		5,064,777

Issuer	June 30, 2011	
	Multi-Family Fund	Trust
Federal Farm Credit Bank	\$ 10,996,191	\$ 5,023,035
Federal Home Loan Bank	9,030,195	-
HSBC Bank	31,303,994	-

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2012 and 2011, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the Other Funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2012 and 2011, there were no investments in any of the Other Funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At June 30, 2012 and 2011 the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

5. Other Assets

Other assets consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Real estate owned	\$ 19,975,864	\$ 17,017,547
Capital assets, net	8,624,214	9,144,237
Deferred origination costs, net	2,957,645	3,260,971
Federal program properties	54,986	3,021,504
Purchased mortgage servicing rights, net	1,845,756	2,271,603
Other assets and control accounts	396,501	396,541
Total	<u>\$ 33,854,966</u>	<u>\$ 35,112,403</u>

Depreciation expense related to capital assets for the years ended June 30, 2012 and 2011 was \$726,096 and \$819,276, respectively.

Amortization expense related to deferred origination costs and purchased mortgage servicing rights for the years ended June 30, 2012 and 2011 was \$954,881 and \$1,021,095, respectively.

6. Bonds and Notes Payable

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

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

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

Principal on all bonds is payable semi-annually. Interest on all bonds is payable semi-annually, except for compound interest bonds which is payable at maturity. Term bonds require the Corporation to establish a sinking fund in the year preceding any term bond mandatory redemption.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

Bonds and notes payable at June 30, 2012 and 2011 are as follows:

	2012	2011
Operating Fund Bonds and Notes:		
Federal Home Loan Bank		
Due 2012, interest from .21% to .30%	\$ 19,000,000	\$ 20,000,000
 General Obligation Bonds Series 2008:		
Mandatory tender bonds, due 2013, interest at 4.625%	5,000,000	5,000,000
Note Payable, due 2027 to 2030, interest from 5.275% to 6.25%	6,885,984	3,610,123
Lines of Credit, payable on demand, interest from 1.29% to 1.70%	68,000,000	56,000,000
Total Operating Fund	98,885,984	84,610,123
 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 25-A:		
Term bonds, due 2016, interest at 4.95%	-	2,760,000
Series 26-B:		
Term bonds, due 2026, interest at 5.40%	7,795,000	8,515,000
Series 27-B:		
Term bonds, due 2012, interest at 5.15%	-	395,000
Series 28-A:		
Serial bonds, due 2012, interest from 4.80% to 4.90%	-	725,000
Term bonds, due 2018, interest at 5.15%	-	1,965,000
	-	2,690,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
Series 29-A:		
Serial bonds, due 2012, interest at 4.75%	-	445,000
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	25,815,000	26,265,000
	25,815,000	26,710,000
Series 30-B:		
Term bonds, due 2019, interest at 5.20%	-	2,685,000
Series 34-B:		
Term bonds, due 2020, interest at 5.375%	-	170,000
Series 36-B:		
Term bonds, due 2019, interest at 4.65%	-	3,235,000
Series 37-B:		
Term bonds, due 2021, interest at 4.625%	890,000	1,595,000
Series 38-A:		
Term bonds, due 2027, interest at 5.50%	-	16,720,000
Series 39-A:		
Serial bonds, due 2013, interest at 4.50%	-	45,000
Series 39-B:		
Serial bonds, due 2012 to 2013, interest from 4.65% to 4.75%	-	1,655,000
Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%	-	14,550,000
	-	16,205,000
Series 40-A:		
Serial bonds, due 2012 to 2016, interest from 3.90% to 4.50%	3,935,000	4,705,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	25,290,000	25,290,000
	29,225,000	29,995,000
Series 41-A:		
Serial bonds, due 2012 to 2013, interest from 4.00% to 4.15%	-	1,065,000
Term bonds, due 2031, interest at 5.15%	-	945,000
	-	2,010,000
Series 41-B:		
Term bonds, due 2022, interest at 5.20%	-	6,855,000
Series 42-A:		
Serial bonds, due 2012 to 2013, interest from 3.55% to 3.65%	-	1,080,000
Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%	-	12,465,000
	-	13,545,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Series 43-A:		
Serial bonds, due 2012 to 2017, interest from 3.10% to 3.90%	3,385,000	3,885,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	7,240,000	7,480,000
	<u>10,625,000</u>	<u>11,365,000</u>
Series 44-A:		
Serial bonds, due 2012 to 2013, interest from 3.85% to 4.00%	2,370,000	4,085,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	11,680,000	11,680,000
	<u>14,050,000</u>	<u>15,765,000</u>
Series 45-A:		
Serial bonds, due 2013 to 2017, interest from 4.00% to 4.60%	7,075,000	8,335,000
Series 45-B:		
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	17,335,000	18,560,000
Series 46-A:		
Serial bonds, due 2012 to 2014, interest from 3.55% to 3.85%	2,205,000	3,010,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	30,205,000	30,340,000
	<u>32,410,000</u>	<u>33,350,000</u>
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 47-A:		
Serial bonds, due 2012 to 2015, interest from 3.70% to 4.10%	3,475,000	3,850,000
Term bonds, due 2017, interest at 4.30%	1,670,000	1,670,000
	<u>5,145,000</u>	<u>5,520,000</u>
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	29,910,000	30,035,000
Series 48-A:		
Serial bonds, due 2012 to 2017, interest from 3.50% to 4.10%	4,920,000	5,710,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,820,000	19,820,000
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 3.70% to 4.10%	6,260,000	6,310,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000	4,105,000
	<u>10,365,000</u>	<u>10,415,000</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Series 49-B:		
Serial bonds, due 2012, interest from 4.00% to 4.10%	-	1,740,000
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	28,520,000	29,085,000
	<u>28,520,000</u>	<u>30,825,000</u>
Series 50-A:		
Serial bonds, due 2012 to 2014, interest from 3.65% to 3.85%	7,610,000	10,750,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	17,270,000	17,270,000
	<u>24,880,000</u>	<u>28,020,000</u>
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 51-A:		
Serial bonds, due 2012 to 2017, interest from 3.75% to 4.125%	9,915,000	11,700,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	29,215,000	29,215,000
	<u>39,130,000</u>	<u>40,915,000</u>
Series 51-B:		
Term bonds, due 2036, interest at 5.00%	4,430,000	4,455,000
Series 52-A:		
Serial bonds, due 2012 to 2018, interest from 3.90% to 4.30%	7,725,000	9,020,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	11,740,000	11,740,000
	<u>19,465,000</u>	<u>20,760,000</u>
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	24,215,000	24,215,000
Series 53-A:		
Serial bonds, due 2012 to 2017, interest from 3.70% to 4.05%	12,940,000	15,570,000
Term bonds, due 2034, interest at 4.60%	3,150,000	3,150,000
	<u>16,090,000</u>	<u>18,720,000</u>
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	41,135,000	41,930,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	60,675,000	60,675,000
Series 55-A:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000	8,345,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	<u>10,625,000</u>	<u>10,625,000</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
Series 55-B:		
Serial bonds, due 2012 to 2017, interest from 4.10% to 4.375%	2,900,000	4,265,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	57,295,000	58,655,000
	60,195,000	62,920,000
Series 56-A:		
Serial bonds, due 2012 to 2015, interest from 4.40% to 4.65%	3,065,000	3,630,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	58,175,000	58,820,000
	61,240,000	62,450,000
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	4,655,000	5,765,000
Series 57-A:		
Serial bonds, due 2012 to 2017, interest from 3.85% to 4.25%	8,160,000	9,490,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	8,635,000	9,965,000
Series 57-B:		
Term bonds, due 2022 to 2047, interest from 5.15% to 5.45%	43,075,000	55,685,000
Series 58-A:		
Term bonds, due 2023 to 2047, interest from 5.05% to 5.40%	52,845,000	56,230,000
Series 58-T:		
Term bonds, due 2013, interest at 4.98%	2,045,000	8,150,000
Series 59-A:		
Serial bonds, due 2012 to 2017, interest from 3.125% to 4.125%	12,615,000	15,110,000
Term bonds, due 2034, interest at 5.15%	3,215,000	3,215,000
	15,830,000	18,325,000
Series 59-B:		
Term bonds, due 2022, interest at 5.45%	12,050,000	12,980,000
Series 59-C:		
Demand bonds, due 2047, interest at variable rate	25,000,000	25,000,000
Series 60-A1:		
Serial bonds, due 2012 to 2017, interest from 3.50% to 4.30%	8,560,000	10,230,000
Term bonds, due 2034, interest at 5.375%	3,080,000	3,080,000
	11,640,000	13,310,000
Series 60-A2:		
Term bonds, due 2036 to 2038, interest from 5.50% to 5.625%	-	19,345,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
Series 60-B: Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%	1,840,000	1,840,000
Series 61-A: Serial bonds, due 2013 to 2023, interest from .45% to 3.05%	15,000,000	-
Series 61-B: Term bonds, due 2026 to 2042, interest from 3.45% to 4.15%	10,000,000	-
Series 61-C: Serial bonds, due 2012 to 2020, interest from .60% to 3.00%	28,560,000	-
Term bonds, due 2034, interest at 4.00%	9,340,000	-
	37,900,000	-
Unamortized bond premium	1,400,618	1,215,031
Subtotal	920,260,618	999,690,031
 Home Funding Bonds and Notes:		
Series 1-A: Serial bonds, due 2012 to 2021, interest from 1.45% to 4.125%	13,665,000	15,610,000
Term bonds, due 2024 to 2027, interest from 4.25% to 4.625%	12,005,000	12,675,000
	25,670,000	28,285,000
Series 1-B: Term bonds, due 2039, interest at 3.96%	41,770,000	44,100,000
Series 2: Term bonds, due 2041, interest at variable rate	32,000,000	53,000,000
Series 2, Subseries 2A: Term bonds, due 2041, interest at 3.16%	29,650,000	30,000,000
Series 2, Subseries 2B: Term bonds, due 2041, interest at 2.63%	21,000,000	-
Series 3: Serial bonds, due 2012 to 2020, interest from 1.00% to 3.20%	8,490,000	9,290,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	10,515,000	10,515,000
	19,005,000	19,805,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
Series 4:		
Serial bonds, due 2012 to 2022, interest from .60% to 3.50%	7,750,000	-
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	6,045,000	-
	13,795,000	-
Unamortized bond discount	(14,117)	(15,764)
Subtotal	182,875,883	175,174,236
Total Single-Family Fund	1,103,136,501	1,174,864,267
Multi-Family Fund:		
Multi-Family Housing Bonds:		
1995 Series A:		
Term bonds, due 2017, interest at 6.15%	740,000	840,000
1998 Series A:		
Serial bonds, due 2012, interest at 5.10%	90,000	175,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	3,550,000	3,550,000
	3,640,000	3,725,000
Subtotal	4,380,000	4,565,000
Housing Bonds:		
2001 Series A:		
Serial bonds, due 2012 to 2013, interest from 5.10% to 5.15%	460,000	670,000
Term bonds, due 2015, interest at 5.30%	1,490,000	1,490,000
	1,950,000	2,160,000
2001 Series B-1B:		
Serial bonds, due 2012 to 2013, interest from 4.45% to 4.55%	2,235,000	3,250,000
Term bonds, due 2022, interest at 5.15%	7,810,000	11,230,000
	10,045,000	14,480,000
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,715,000	3,790,000
2002 Series A:		
Serial bonds, due 2012, interest at 4.55%	175,000	335,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	8,620,000	8,620,000
	8,795,000	8,955,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
2003 Series A-1:		
Serial bonds, due 2013, interest at 4.10%	90,000	175,000
Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%	7,455,000	7,455,000
	7,545,000	7,630,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	21,010,000	21,390,000
2003 Series B-1A:		
Serial bonds, due 2013 to 2016, interest from 4.65% to 4.90%	1,485,000	1,870,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	9,100,000	9,100,000
	10,585,000	10,970,000
2003 Series B-1B:		
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	2,605,000	2,700,000
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,900,000	8,980,000
2003 Series C-1A:		
Serial bonds, due 2013 to 2014, interest from 4.00% to 4.10%	665,000	965,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	15,695,000	15,695,000
	16,360,000	16,660,000
2003 Series C-1B:		
Serial bonds, due 2013 to 2014, interest from 4.00% to 4.10%	60,000	80,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	1,370,000	1,370,000
	1,430,000	1,450,000
2004 Series A-1A:		
Serial bonds, due 2012 to 2016, interest from 4.00% to 4.50%	775,000	920,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	6,335,000	6,335,000
	7,110,000	7,255,000
2004 Series A-1B:		
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,145,000	3,170,000
2004 Series B-1A:		
Serial bonds, due 2012 to 2015, interest from 3.35% to 3.70%	50,000	65,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	1,890,000	1,890,000
	1,940,000	1,955,000
2004 Series B-1B-1:		
Serial bonds, due 2012 to 2015, interest from 3.75% to 4.10%	510,000	620,000
Term bonds, due 2045, interest at 4.90%	12,875,000	12,875,000
	13,385,000	13,495,000

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
2004 Series B-1B-2:		
Serial bonds, due 2012 to 2015, interest from 3.75% to 4.10%	100,000	120,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	860,000	860,000
	960,000	980,000
2004 Series B-2T:		
Term bonds, due 2015 to 2030, interest from 4.85% to 5.57%	3,400,000	3,475,000
2005 Series A-1A:		
Serial bonds, due 2012 to 2015, interest from 4.00% to 4.25%	1,585,000	1,930,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000	17,230,000
	18,815,000	19,160,000
2005 Series A-1B:		
Term bonds, due 2035, interest at 4.90%	270,000	270,000
2005 Series A-2T:		
Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%	1,210,000	1,345,000
2006 Series A-1:		
Serial bonds, due 2012 to 2016, interest from 3.85% to 4.05%	1,285,000	1,510,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000	19,680,000
	20,965,000	21,190,000
2007 Series A-1:		
Serial bonds, due 2012 to 2017, interest from 4.00% to 4.35%	1,830,000	2,070,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	31,510,000	31,750,000
2007 Series A-2T:		
Term bonds, due 2027, interest at 5.608%	1,270,000	1,335,000
2007 Series B-1A/B:		
Serial bonds, due 2012 to 2017, interest from 4.00% to 4.50%	1,325,000	1,550,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	24,405,000	24,405,000
	25,730,000	25,955,000
Unamortized bond premium	105,801	107,235
Subtotal	222,755,801	230,607,235
Multi-Family Funding Bonds:		
2009 Series A:		
Escrow bonds, due 2041, interest at variable rate	-	14,100,000
2009 Series A, Subseries 2009 A-2:		
Term bonds, due 2051, interest at 2.32%	14,100,000	-

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

	2012	2011
2009 Series A, Subseries 2009A-1		
Term bonds, due 2051, interest at 3.01%	51,000,000	51,000,000
2010 Series A:		
Serial bonds, due 2012 to 2021, interest from 1.00% to 4.00%	5,435,000	5,760,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	20,985,000	21,310,000
2011 Series A:		
Serial bonds, due 2013 to 2017, interest from .85% to 2.50%	730,000	-
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	-
	5,040,000	-
Subtotal	91,125,000	86,410,000
Multi-Family Development Bonds:		
2010 Series 1:		
Serial bonds, due 2012 to 2021, interest from 1.30% to 4.25%	605,000	650,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	8,285,000
	8,890,000	8,935,000
2011 Series 1:		
Term bonds, due 2013, interest at 1.125%	7,000,000	-
Subtotal	15,890,000	8,935,000
Multi-Family Mortgage Revenue Bonds:		
1998 Series A:		
Term bonds, due 2028, interest at variable rate	1,965,000	2,040,000
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	30,950,000	30,950,000
Subtotal	66,615,000	66,690,000
Total Multi-Family Fund	400,765,801	397,207,235
Total Bonds And Notes Payable	\$ 1,602,788,286	\$ 1,656,681,625

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

On June 6, 2012, the Corporation refunded \$53,215,000 of certain Homeownership Opportunity Bonds with an average interest rate of 5.11% by the issuance of \$62,900,000 Homeownership Opportunity Bonds Series 61A-C dated June 6, 2012 with an average interest rate of 2.99%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty-two years by \$9,704,384 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$8,305,126.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 25-A:	9/23/1997	\$ 1,060,000
Series 28-A	9/29/1998	1,555,000
Series 30-B	3/30/1999	795,000
Series 36-B	3/29/2001	625,000
Series 38-A	12/20/2001	14,995,000
Series 39-A	3/27/2002	45,000
Series 39-B	3/27/2002	13,625,000
Series 41-A	12/19/2002	1,785,000
Series 41-B	12/19/2002	6,620,000
Series 42-A	04/01/2003	12,110,000
		<u>\$ 53,215,000</u>

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2012, the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring November 2012, up to a maximum of \$20,000,000 under another revolving loan agreement expiring May 2013, and up to a maximum of \$15,000,000 under a third revolving loan agreement expiring January 2013. Borrowings under the lines of credit are payable on demand and are unsecured.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

The schedule below includes amounts required for debt service sinking funds for each fiscal year relating to the respective bonds and notes as of June 30, 2012 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 87,095	\$ 1,065	\$ 103,485	\$ 42,267	\$ 12,480	\$ 13,648
2014	5,101	525	30,560	40,559	5,995	13,358
2015	107	403	30,395	39,484	5,795	13,135
2016	114	397	31,290	38,363	6,915	12,877
2017	121	390	30,355	37,188	6,075	12,615
2018-2022	726	1,830	175,455	164,315	35,060	59,018
2023-2027	1,540	1,566	160,610	127,423	41,475	51,189
2028-2032	4,082	933	203,145	89,280	58,135	41,137
2033-2037	-	-	205,940	44,507	49,515	28,515
2038-2042	-	-	106,895	13,353	104,355	19,659
2043-2047	-	-	21,920	3,237	44,100	10,128
2048-2052	-	-	1,700	31	30,760	2,242
2053-2057	-	-	-	-	-	-
	<u>\$ 98,886</u>	<u>\$ 7,109</u>	<u>\$ 1,101,750</u>	<u>\$ 640,007</u>	<u>\$ 400,660</u>	<u>\$ 277,521</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, which ranges from .70%-.79% at June 30, 2012. The Multi-Family Mortgage Revenue Bonds and the Homeownership Opportunity Bonds Series 59-C bear interest at a variable rate established weekly by the Remarketing Agent. The rates used in the table above were the applicable rates as of June 30, 2012.

Bonds and notes payable activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	59,610,123	212,350,000	(197,074,139)	74,885,984
Secured notes	20,000,000	38,000,000	(39,000,000)	19,000,000
Revenue bonds	1,572,071,502	124,354,291	(192,523,490)	1,503,902,303
	<u>\$ 1,656,681,625</u>	<u>\$ 374,704,291</u>	<u>\$(428,597,629)</u>	<u>\$ 1,602,788,287</u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

Bonds and notes payable activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	53,047,822	246,600,000	(240,037,699)	59,610,123
Secured notes	23,000,000	41,000,000	(44,000,000)	20,000,000
Revenue bonds	1,636,321,053	133,545,000	(197,794,551)	1,572,071,502
	<u>\$ 1,717,368,875</u>	<u>\$ 421,145,000</u>	<u>\$(481,832,250)</u>	<u>\$ 1,656,681,625</u>

7. Commitments and Contingencies

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

Total credit exposure as a result of loan commitments at June 30, 2012 is as follows:

<u>Fund</u>	<u>Commitments</u>
Operating Fund	\$ 34,174,658
Single-Family Fund	6,302,945
Multi-Family Fund	6,238
Total	<u>\$ 40,483,841</u>

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

The Corporation is party to a standby letter of credit agreement whereby the Corporation guarantees payment of principal and interest to bondholders in the event of nonperformance by the borrower. The Corporation's exposure to credit loss is represented by the contractual amount of the letter of credit, up to a maximum of \$2,027,666 at June 30, 2012. The Corporation also entered into a confirming letter of credit agreement with a financial institution whereby the financial institution guarantees payment of principal and interest to bondholders in the event of nonperformance by both the borrower and the Corporation. The Corporation holds a marketable security as collateral to support this confirming letter of credit with a fair value of \$2,666,298 at June 30, 2012.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

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

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2012 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

8. 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.

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the years ended June 30, 2012 and 2011 totaled \$882,798 and \$895,456, 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.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of June 30, 2012, the plan included 10 retirees, 8 of which are receiving benefits, and 170 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the years ended June 30, 2012 and 2011, plan members receiving benefits contributed \$5,712 and \$5,895, respectively, as their required contribution.

The annual OPEB cost for the fiscal years ended June 30, 2012 and 2011, are as follows:

	2012	2011
Annual required contribution (ARC)	\$ 353,732	\$ 343,431
Interest on OPEB obligation	124,000	109,316
Adjustments to ARC	(114,888)	(101,280)
Annual OPEB cost	362,844	351,467
Net estimated employer contributions	(27,001)	(25,120)
Increase in net OPEB obligation	335,843	326,347
Net OPEB obligation, beginning of year	2,755,594	2,429,247
Net OPEB obligation, end of year	\$ 3,091,437	2,755,594
Percent of annual OPEB cost contributed	7.4%	7.1%

The Net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying balance sheets. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2012 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2010	\$ 382,671	\$ 11,310	3.0%	\$ 2,429,247
June 30, 2011	351,467	25,120	7.1%	2,755,594
June 30, 2012	362,844	27,001	7.4%	3,091,437

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

Funded Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree healthcare plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$2,764,235 as of June 30, 2011, the most recent actuarial valuation date. As of June 30, 2012, the unfunded accrued liability as a percentage of covered payroll of \$8,904,442, was approximately 31%.

Actuarial Methods and Assumptions

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

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50%, payroll growth of 3.00% and a 30 year open amortization period. The initial annual healthcare cost trend rate of 8.5%, declining to an ultimate rate of 4.50% after 8 years.

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

10. 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. To date no payments have been received, nor have any payments for advances totaling \$49,817,138 made during the years ended June 30, 1998 through 2012 been received.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
June 30, 2012 and 2011

11. Subsequent Events

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

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
July 11, 2012	Homeownership Opportunity Bonds	\$ 74,350,000
October 1, 2012	Homeownership Opportunity Bonds	14,890,000
October 1, 2012	Home Funding Bonds	2,185,000

On July 3, 2012, the Corporation refunded \$70,615,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.95% by the issuance of \$85,615,000 Homeownership Opportunity Bonds Series 62A-C dated July 3, 2012 with an average interest rate of 3.89%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty one years by \$13,231,966 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$6,192,188.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 26-B	3/31/1998	\$ 6,395,000
Series 29-A	12/23/1998	24,590,000
Series 37-B	8/08/2001	145,000
Series 40-A	9/26/2002	29,225,000
Series 43-A	6/26/2003	10,260,000
		<u>\$ 70,615,000</u>

The Corporation's management has evaluated subsequent events through September 28, 2012, which is the date these financial statements were available to be issued.



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 55 through 64 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LGCD & LLP

September 28, 2012

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

**Required Supplementary Information
Retiree Healthcare Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	\$ -	\$ 1,882,457	\$ 1,882,457	0%	\$ 9,137,027	20.6%
June 30, 2011	-	2,764,235	2,764,235	0%	9,052,294	30.5%
June 30, 2012	-	2,764,235	2,764,235	0%	8,904,442	31.0%

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund
June 30, 2012 and 2011

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2012	2011	2012	2011
Assets				
Loans receivable	\$ 942,929,923	\$ 1,016,667,047	\$ 70,812,116	\$ 52,235,879
Less allowance for loan losses	(10,200,000)	(1,260,983)	-	-
Loans receivable, net	932,729,923	1,015,406,064	70,812,116	52,235,879
Investments	24,838,875	37,105,876	86,182,272	73,859,174
Accrued interest-loans	3,659,415	3,842,221	209,195	155,798
Accrued interest-investments	180,389	340,470	288,206	262,063
Cash and cash equivalents	80,419,270	76,820,295	40,152,078	58,657,128
Deferred bond issuance costs, net	6,862,217	7,741,537	1,353,594	1,142,892
Other assets, net	18,816,505	17,265,478	141,050	101,151
Interfund receivable (payable)	1,272	(7,600)	18,597	18,597
Total Assets	\$ 1,067,507,866	\$ 1,158,514,341	\$ 199,157,108	\$ 186,432,682
Liabilities and Fund Equity				
Bonds and notes payable	\$ 920,260,618	\$ 999,690,031	\$ 182,875,883	\$ 175,174,236
Accrued interest payable on bonds and notes	9,743,705	11,351,825	1,355,142	1,143,394
Accounts payable and accrued liabilities	379,958	724,800	-	-
Deferred fees	301,986	345,877	-	-
Total liabilities	930,686,267	1,012,112,533	184,231,025	176,317,630
Fund Equity				
Fund equity, restricted	136,821,599	146,401,808	14,926,083	10,115,052
Total Liabilities and Fund Equity	\$ 1,067,507,866	\$ 1,158,514,341	\$ 199,157,108	\$ 186,432,682

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund
June 30, 2012 and 2011

	Single-Family Fund Totals	
	2012	2011
Assets		
Loans receivable	\$ 1,013,742,039	\$ 1,068,902,926
Less allowance for loan losses	(10,200,000)	(1,260,983)
Loans receivable, net	1,003,542,039	1,067,641,943
Investments	111,021,147	110,965,050
Accrued interest-loans	3,868,610	3,998,019
Accrued interest-investments	468,595	602,533
Cash and cash equivalents	120,571,348	135,477,423
Deferred bond issuance costs, net	8,215,811	8,884,429
Other assets, net	18,957,555	17,366,629
Interfund receivable (payable)	19,869	10,997
	\$ 1,266,664,974	\$ 1,344,947,023
Liabilities and Fund Equity		
Bonds and notes payable	\$ 1,103,136,501	\$ 1,174,864,267
Accrued interest payable on bonds and notes	11,098,847	12,495,219
Accounts payable and accrued liabilities	379,958	724,800
Deferred fees	301,986	345,877
	1,114,917,292	1,188,430,163
Fund Equity		
Fund equity, restricted	151,747,682	156,516,860
Total Liabilities and Fund Equity	\$ 1,266,664,974	\$ 1,344,947,023

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 - Single-Family Fund
For the Years Ended June 30, 2012 and 2011

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2012	2011	2012	2011
Operating revenues:				
Interest income on loans	\$ 49,333,318	\$ 53,604,253	\$ 2,922,015	\$ 1,783,411
Income on investments:				
Interest on investments	1,883,273	2,244,545	3,407,495	3,023,276
Net increase (decrease) in fair value of investments	296,808	120,709	3,307,787	2,159,139
Total operating revenues	51,513,399	55,969,507	9,637,297	6,965,826
Operating expenses:				
Interest expense	43,035,301	47,370,296	5,001,116	3,811,114
Other administrative expenses	222,939	113,875	-	-
Housing initiatives	48,723	43,919	-	-
Provision for loan losses	2,455,892	3,064,633	-	-
REO expenditures (recoveries)	737,028	-	-	-
Arbitrage rebate	(261,152)	51,198	-	-
Amortization of deferred bond issuance costs	514,705	566,008	65,855	50,831
Early retirement of debt	929,851	550,779	36,514	76,887
Depreciation and amortization of other assets	368,004	352,237	37,274	103,441
Total operating expenses	48,051,291	52,112,945	5,140,759	4,042,273
Operating income (loss)	3,462,108	3,856,562	4,496,538	2,923,553
Transfers in (out) of fund equity	(13,042,317)	(3,450,000)	314,493	462,630
Total change in fund equity	(9,580,209)	406,562	4,811,031	3,386,183
Fund equity, beginning of year	146,401,808	145,995,246	10,115,052	6,728,869
Fund equity, end of year	<u>\$ 136,821,599</u>	<u>\$ 146,401,808</u>	<u>\$ 14,926,083</u>	<u>\$ 10,115,052</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 - Single-Family Fund
For the Years Ended June 30, 2012 and 2011

	Single-Family Fund Total	
	2012	2011
Operating revenues:		
Interest income on loans	\$ 52,255,333	\$ 55,387,664
Income on investments:		
Interest on investments	5,290,768	5,267,821
Net increase (decrease) in fair value of investments	3,604,595	2,279,848
Total operating revenues	61,150,696	62,935,333
Operating expenses:		
Interest expense	48,036,417	51,181,410
Other administrative expenses	222,939	113,875
Housing initiatives	48,723	43,919
Provision for loan losses (recoveries)	2,455,892	3,064,633
REO expenditures	737,028	-
Arbitrage rebate	(261,152)	51,198
Amortization of deferred bond issuance costs	580,560	616,839
Early retirement of debt	966,365	627,666
Depreciation and amortization of other assets	405,278	455,678
Total operating expenses	53,192,050	56,155,218
Operating income (loss)	7,958,646	6,780,115
Transfers in (out) of fund equity	(12,727,824)	(2,987,370)
Total change in fund equity	(4,769,178)	3,792,745
Fund equity, beginning of year	156,516,860	152,724,115
Fund equity, end of year	<u>\$ 151,747,682</u>	<u>\$ 156,516,860</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2012 and 2011

	Multi-Family Housing Bond Program		Housing Bond Program	
	2012	2011	2012	2011
Assets				
Loans receivable	\$ 3,867,890	\$ 5,670,034	\$ 215,214,538	\$ 221,678,921
Less allowance for loan losses	-	-	-	-
Loans receivable, net	3,867,890	5,670,034	215,214,538	221,678,921
Investments	31,345,658	29,567,461	25,841,005	24,085,198
Accrued interest-loans	24,819	38,240	1,283,982	1,349,572
Accrued interest-investments	415,442	11,809	250,000	273,073
Cash and cash equivalents	977,379	1,867,584	15,603,991	17,729,187
Accounts receivable	-	-	-	-
Deferred bond issuance costs, net	61,600	68,046	56,912	64,416
Other assets, net	-	-	-	-
Interfund receivable (payable)	-	-	-	-
Total Assets	\$ 36,692,788	\$ 37,223,174	\$ 258,250,428	\$ 265,180,367
Liabilities and Fund Equity				
Bonds and notes payable	\$ 4,380,000	\$ 4,565,000	\$ 222,755,801	\$ 230,607,235
Accrued interest payable on bonds and notes	122,262	127,484	2,434,547	2,506,999
Accounts payable and accrued liabilities	246,529	188,554	3,187,825	2,345,768
Deferred fees	-	-	-	-
Escrow deposits	-	-	1,247,726	1,247,726
Total liabilities	4,748,791	4,881,038	229,625,899	236,707,728
Fund Equity				
Fund equity, restricted	31,943,997	32,342,136	28,624,529	28,472,639
Total Liabilities and Fund Equity	\$ 36,692,788	\$ 37,223,174	\$ 258,250,428	\$ 265,180,367

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2012 and 2011

	Multi-Family Mortgage Revenue		Multi-Family Funding Bond Program	
	Bond Program			
	2012	2011	2012	2011
Assets				
Loans receivable	\$ 66,615,000	\$ 66,690,000	\$ 91,177,767	\$ 72,217,422
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>66,615,000</u>	<u>66,690,000</u>	<u>91,177,767</u>	<u>72,217,422</u>
Investments	-	-	-	-
Accrued interest-loans	32,354	27,814	485,345	382,297
Accrued interest-investments	-	-	-	-
Cash and cash equivalents	1,088,068	468,141	6,946,899	19,738,481
Deferred bond issuance costs, net	-	-	53,708	55,533
Interfund receivable (payable)	-	-	-	291,320
Total Assets	<u>\$ 67,735,422</u>	<u>\$ 67,185,955</u>	<u>\$ 98,663,719</u>	<u>\$ 92,685,053</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 66,615,000	\$ 66,690,000	\$ 91,125,000	\$ 86,410,000
Accrued interest payable on bonds and notes	15,096	11,024	749,361	633,734
Accounts payable and accrued liabilities	-	-	-	-
Deferred fees	66,750	67,226	-	-
Escrow deposits	1,087,797	467,870	-	-
Total liabilities	<u>67,784,643</u>	<u>67,236,120</u>	<u>91,874,361</u>	<u>87,043,734</u>
Fund Equity				
Fund equity, restricted	<u>(49,221)</u>	<u>(50,165)</u>	<u>6,789,358</u>	<u>5,641,319</u>
Total Liabilities and Fund Equity	<u>\$ 67,735,422</u>	<u>\$ 67,185,955</u>	<u>\$ 98,663,719</u>	<u>\$ 92,685,053</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2012 and 2011

	<u>Multi-Family Development Bonds</u>		<u>Multi-Family Fund Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets				
Loans receivable	\$ 15,871,052	\$ 8,934,877	\$ 392,746,247	\$ 375,191,254
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>15,871,052</u>	<u>8,934,877</u>	<u>392,746,247</u>	<u>375,191,254</u>
Investments	-	-	57,186,663	53,652,659
Accrued interest-loans	77,607	51,013	1,904,107	1,848,936
Accrued interest-investments	-	-	665,442	284,882
Cash and cash equivalents	8,005,718	708,384	32,622,055	40,511,777
Deferred bond issuance costs, net	34,101	-	206,321	187,995
Interfund receivable (payable)	-	119,373	-	410,693
Total Assets	<u>\$ 23,988,478</u>	<u>9,813,647</u>	<u>\$ 485,330,835</u>	<u>\$ 472,088,196</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 15,890,000	\$ 8,935,000	\$ 400,765,801	\$ 397,207,235
Accrued interest payable on bonds and notes	141,096	121,531	3,462,362	3,400,772
Accounts payable and accrued liabilities	-	-	3,434,354	2,534,322
Deferred fees	-	-	66,750	67,226
Escrow deposits	-	-	2,335,523	1,715,596
Total liabilities	<u>16,031,096</u>	<u>9,056,531</u>	<u>410,064,790</u>	<u>404,925,151</u>
Fund Equity				
Fund equity, restricted	<u>7,957,382</u>	<u>757,116</u>	<u>75,266,045</u>	<u>67,163,045</u>
Total Liabilities and Fund Equity	<u>\$ 23,988,478</u>	<u>\$ 9,813,647</u>	<u>\$ 485,330,835</u>	<u>\$ 472,088,196</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, 2012 and 2011

	<u>Multi-Family Housing Bond Program</u>		<u>Housing Bond Program</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Operating revenues:				
Interest income on loans	\$ 334,033	\$ 471,380	\$ 15,208,622	\$ 16,455,704
Income on investments:				
Interest on investments	1,879,808	1,742,250	1,078,813	1,134,077
Net increase (decrease) in fair value of investments	-	-	1,803,483	(149,727)
Total operating revenues	2,213,841	2,213,630	18,090,918	17,440,054
Operating expenses:				
Interest expense	244,525	254,967	9,854,746	11,039,139
Other administrative expenses	3,034	3,221	234,722	251,225
Housing initiatives	13,244	9,768	526,412	594,443
Arbitrage rebate	57,976	341,433	842,057	(48,287)
Amortization of deferred bond issuance costs	6,446	6,809	7,504	8,761
Early retirement of debt	-	-	-	23,396
Total operating expenses	325,225	616,198	11,465,441	11,868,677
Operating income (loss)	1,888,616	1,597,432	6,625,477	5,571,377
Transfers in (out) of fund equity	(2,286,755)	9,768	(6,473,587)	(20,259,540)
Total change in fund equity	(398,139)	1,607,200	151,890	(14,688,163)
Fund equity, beginning of year	32,342,136	30,734,936	28,472,639	43,160,802
Fund equity, end of year	<u>\$ 31,943,997</u>	<u>\$ 32,342,136</u>	<u>\$ 28,624,529</u>	<u>\$ 28,472,639</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
For the Years Ended June 30, 2012 and 2011

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2012	2011	2012	2011
Operating revenues:				
Interest income on loans	\$ 476,601	\$ 536,824	\$ 5,405,678	\$ 2,391,738
Income on investments:				
Interest on investments	-	-	1,827	27,795
Net increase (decrease) in fair value of investments	-	-	-	-
Total operating revenues	476,601	536,824	5,407,505	2,419,533
Operating expenses:				
Interest expense	145,217	203,884	2,733,849	1,174,238
Other administrative expenses	-	-	-	-
Housing initiatives	-	-	112,619	14,522
Arbitrage rebate	-	-	-	-
Amortization of deferred bond issuance costs	-	-	1,826	4,818
Early retirement of debt	-	-	-	204,718
Total operating expenses	145,217	203,884	2,848,294	1,398,296
Operating income (loss)	331,384	332,940	2,559,211	1,021,237
Transfers in (out) of fund equity	(330,440)	(333,437)	(1,411,172)	4,355,012
Total change in fund equity	944	(497)	1,148,039	5,376,249
Fund equity, beginning of year	(50,165)	(49,668)	5,641,319	265,070
Fund equity, end of year	<u>\$ (49,221)</u>	<u>\$ (50,165)</u>	<u>\$ 6,789,358</u>	<u>\$ 5,641,319</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
For the Years Ended June 30, 2012 and 2011

	Multi-Family Development		Multi-Family Total	
	2012	2011	2012	2011
Operating revenues:				
Interest income on loans	\$ 812,582	\$ 464,646	\$ 22,237,516	\$ 20,320,292
Income on investments:				
Interest on investments	1,962	824	2,962,410	2,904,946
Net increase (decrease) in fair value of investments	-	-	1,803,483	(149,727)
Total operating revenues	814,544	465,470	27,003,409	23,075,511
Operating expenses:				
Interest expense	529,006	258,376	13,507,343	12,930,604
Other administrative expenses	-	-	237,756	254,446
Housing initiatives	19,127	190	671,402	618,923
Arbitrage rebate	-	-	900,033	293,146
Amortization of deferred bond issuance costs	24,881	-	40,657	20,388
Early retirement of debt	-	-	-	228,114
Total operating expenses	573,014	258,566	15,357,191	14,345,621
Operating income (loss)	241,530	206,904	11,646,218	8,729,890
Transfers in (out) of fund equity	6,958,736	550,212	(3,543,218)	(15,677,985)
Total change in fund equity	7,200,266	757,116	8,103,000	(6,948,095)
Fund equity, beginning of year	757,116	-	67,163,045	74,111,140
Fund equity, end of year	<u>\$ 7,957,382</u>	<u>\$ 757,116</u>	<u>\$ 75,266,045</u>	<u>\$ 67,163,045</u>