

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1998 Series B Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the 1998 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing statutes, interest on the 1998 Series B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS."

\$21,380,000**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION****Multi-Family Housing Revenue Bonds****1998 Series B****Dated: September 1, 1998****Due: May 1 and November 1, as shown below**

Interest on the 1998 Series B Bonds (the "1998 Series B Bonds") is payable semiannually on May 1 and November 1, commencing May 1, 1999. The 1998 Series B Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The 1998 Series B Bonds will be issued in book-entry form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 1998 Series B Bonds will be payable by the Trustee to Cede & Co., as nominee of DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners. See "DESCRIPTION OF THE 1998 SERIES B BONDS—Book-Entry Only System." Purchasers of the 1998 Series B Bonds will not receive physical delivery of bond certificates. The 1998 Series B Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. IBJ Schroder Bank & Trust Company, New York, New York, is the Trustee with respect to the 1998 Series B Bonds.

The 1998 Series B Bonds are being issued (i) to finance a construction mortgage loan (the "1998 Series B Construction Mortgage Loan") and, upon completion and substantial occupancy of the Project, a permanent mortgage loan (the "1998 Series B Permanent Mortgage Loan") (collectively, the "1998 Series B Mortgage Loan"), to de Sales Assisted Living Development Corp., a New York not-for-profit corporation, for the purposes of paying a portion of the costs of acquiring, constructing and equipping an assisted living facility located at 1261 Fifth Avenue in the Borough of Manhattan, New York, and paying a portion of certain fees and expenses relating to the issuance of the 1998 Series B Bonds, and (ii) to fund the Debt Service Reserve Account to the Debt Service Reserve Account Requirement with respect to the 1998 Series B Bonds. Payment of the principal or redemption price of and interest on the 1998 Series B Bonds will be secured by the Revenues and assets pledged to such payment, including, without limitation, certain payments to be made under or with respect to certain mortgage loans and monies held under the Debt Service Reserve Account. The 1998 Series B Bonds are being issued on a parity with and shall be entitled to the same benefit and security as other Bonds issued and to be issued under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution (other than Subordinate Bonds).

The 1998 Series B Bonds are subject to redemption prior to maturity as set forth herein.

The 1998 Series B Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation of the State of New York. The 1998 Series B Bonds are not a debt of the State of New York or The City of New York, and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 1998 Series B Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

MATURITIES, PRINCIPAL AMOUNTS AND INTEREST RATES**\$3,835,000 Serial Bonds**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
May 1, 2002	\$165,000	3.75%	May 1, 2007	\$190,000	4.30%
Nov. 1, 2002	160,000	3.75	Nov. 1, 2007	195,000	4.30
May 1, 2003	160,000	3.90	May 1, 2008	200,000	4.40
Nov. 1, 2003	165,000	3.90	Nov. 1, 2008	205,000	4.40
May 1, 2004	170,000	4.00	May 1, 2009	210,000	4.50
Nov. 1, 2004	170,000	4.00	Nov. 1, 2009	215,000	4.50
May 1, 2005	175,000	4.10	May 1, 2010	215,000	4.60
Nov. 1, 2005	180,000	4.10	Nov. 1, 2010	225,000	4.60
May 1, 2006	185,000	4.20	May 1, 2011	230,000	4.70
Nov. 1, 2006	185,000	4.20	Nov. 1, 2011	235,000	4.70

\$ 4,010,000 5.125% Term Bonds due November 1, 2018**\$13,535,000 5.25% Term Bonds due November 1, 2031****Price of all 1998 Series B Bonds: 100%****(Accrued interest to be added)**

The 1998 Series B Bonds are offered when, as and if issued and received by the Underwriters thereof subject to prior sale, to withdrawal or modification of the offer without notice, and to the unqualified approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the 1998 Series B Mortgage by its Counsel, Herrick Feinstein LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their Counsel, Battle Fowler LLP, New York, New York. It is expected that the 1998 Series B Bonds will be available for delivery in New York, New York on or about September 24, 1998.

Bear, Stearns & Co. Inc.**Goldman, Sachs & Co.**

Dated: September 4, 1998

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

The information set forth herein has been obtained from the New York City Housing Development Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation or the other matters described herein since the date hereof.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1998 SERIES B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 1998 SERIES B BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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\$21,380,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Housing Revenue Bonds
1998 Series B

This Official Statement (including the cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the "Corporation") in connection with the sale of \$21,380,000 principal amount of its Multi-Family Housing Revenue Bonds, 1998 Series B (the "1998 Series B Bonds"). The 1998 Series B Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the "Act"), and pursuant to a resolution entitled "Multi-Family Housing Revenue Bonds Bond Resolution" adopted by the Members of the Corporation on July 27, 1993, as amended from time to time (the "General Resolution"), a supplemental resolution for the 1998 Series B Bonds entitled "Tenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 1998 Series B" (the "1998 Series B Supplemental Resolution") adopted by the Members of the Corporation on August 6, 1998. The General Resolution and the 1998 Series B Supplemental Resolution are referred to herein, collectively, as the "Resolutions." Pursuant to the General Resolution (except as otherwise expressly provided therein or in a Supplemental Resolution authorizing a series of bonds), all bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein. All bonds issued or to be issued under the General Resolution, including the 1998 Series B Bonds, are herein referred to as the "Bonds." Certain defined terms used herein are set forth in "Appendix A—Definition of Certain Terms."

INTRODUCTION

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation of the State of New York (the "State"). The Corporation was created by the Act for the purpose of providing and encouraging the investment of private capital in safe and sanitary dwelling accommodations in the City of New York within the financial reach of families and persons of low income, which includes families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. The Act provides that the Corporation and its corporate existence shall continue at least so long as bonds, notes or other obligations of the Corporation shall be outstanding.

The 1998 Series B Bonds are special revenue obligations of the Corporation, and payment of the principal or redemption price of and interest on the 1998 Series B Bonds will be secured solely by the Revenues and assets pledged to such payment including, without limitation, certain payments to be made under or with respect to the Mortgage Loans and monies held under the Debt Service Reserve Account.

The 1998 Series B Bonds are the tenth series of Bonds to be issued under the General Resolution. The 1998 Series B Bonds are being issued on a parity with and shall be entitled to the same benefit and security of the General Resolution as all other Bonds (other than Subordinate Bonds) issued thereunder, including the Corporation's Multi-Family Housing Revenue Bonds, 1993 Series A, issued pursuant to a First Supplemental Resolution adopted by the Members of the Corporation on July 27, 1993 (the "1993 Series A Bonds"); 1993 Series B, issued pursuant to a Second Supplemental Resolution adopted by the Members of the Corporation on July 27, 1993 (the "1993 Series B Bonds"); 1994 Series A, issued pursuant to a Third Supplemental Resolution adopted by the Members of the Corporation on October 13, 1994 (the "1994 Series A Bonds"); 1995 Series A, issued pursuant to a Fourth Supplemental Resolution adopted by the Members of the Corporation on June 19, 1995 (the "1995 Series A Bonds"); 1996 Series A, issued pursuant to a Fifth Supplemental Resolution (the "Fifth Supplemental Resolution") adopted by the Members

of the Corporation on December 18, 1995 (the "1996 Series A Bonds"); 1997 Series A, issued pursuant to a Sixth Supplemental Resolution adopted by the Members of the Corporation on May 22, 1997 (the "1997 Series A Bonds"); 1997 Series B, issued pursuant to a Seventh Supplemental Resolution adopted by the Members of the Corporation on May 22, 1997 (the "1997 Series B Bonds"); 1997 Series C, issued pursuant to an Eighth Supplemental Resolution adopted by the members of the Corporation on September 30, 1997 (the "1997 Series C Bonds"); and 1998 Series A, issued pursuant to a Ninth Supplemental Resolution adopted by the members of the Corporation on April 13, 1998 (the "1998 Series A Bonds"). As of May 31, 1998, the aggregate outstanding principal balance of Bonds Outstanding was \$483,290,000.

Under the General Resolution, the Corporation may issue Bonds to finance any corporate purpose for which bonds may be issued under the Act or any other applicable law hereafter enacted. The activities of the Corporation undertaken pursuant to the General Resolution are hereinafter referred to as the "Program." Under the Program, to date, the Corporation has issued Bonds to finance Mortgage Loans for privately owned multi-family rental housing for low and moderate income tenants. Multi-family housing developments financeable by the Corporation under the Program are referred to herein individually as a "Development" or a "Project" and collectively as the "Developments" or the "Projects." As of May 31, 1998, there were 87 Mortgage Loans relating to 87 Developments outstanding under the Program. Subsequent to May 31, 1998 through August 17, 1998, an additional four (4) Mortgage Loans relating to four (4) Developments became outstanding under the Program and two (2) Mortgage Loans relating to two (2) Developments were prepaid in full. The Mortgage Loans may, but are not required to, be secured by supplemental security including FHA Insurance provided by the Federal Housing Administration ("FHA"), SONYMA Insurance provided by the State of New York Mortgage Agency ("SONYMA") or GNMA Securities guaranteed by the Government National Mortgage Association ("GNMA"). Developments financed with such Mortgage Loans also may, but are not required to, be subsidized through various federal, state and local programs, including the Section 8, Section 236, Participation Loan Program ("PLP"), Housing Development Grant ("HoDAG") and General Municipal Law Article 16 ("GML Article 16") programs, the Corporation's New Housing Opportunities Program ("New HOP"), and the Housing Assistance Corporation ("HAC"), all as defined and described herein under "THE PROGRAM," "Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program" and "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs."

The proceeds of the 1998 Series B Bonds are expected to be used (i) to finance a construction mortgage loan (the "1998 Series B Construction Mortgage Loan") and, upon completion and substantial occupancy of the 1998 Series B Development (as defined herein), a permanent mortgage loan (the "1998 Series B Permanent Mortgage Loan"; and together with the 1998 Series B Construction Mortgage Loan, the "1998 Series B Mortgage Loan"), to de Sales Assisted Living Development Corp., a New York not-for-profit corporation (the "1998 Series B Mortgagor"), for the purposes of paying a portion of the costs of acquiring, constructing and equipping an assisted living housing facility located at 1261 Fifth Avenue in the Borough of Manhattan, New York (the "1998 Series B Development"), and paying a portion of certain fees and expenses relating to the issuance of the 1998 Series B Bonds, and (ii) to fund the Debt Service Reserve Account to the Debt Service Reserve Account Requirement with respect to the 1998 Series B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS," "PLAN OF FINANCING" and "Appendix D—Development and Mortgage Loan Expected to be Financed with the Proceeds of the 1998 Series B Bonds."

The ability of the Corporation to pay the principal or redemption price of and interest on the Bonds, including the 1998 Series B Bonds, is dependent on the Revenues derived from the assets pledged to secure the Bonds, including the Mortgage Loans. In cases in which Developments are beneficiaries of state or federal subsidy programs, full and timely receipt of subsidy payments may be necessary for full

payment under the Mortgage Loans made on such Developments. In instances in which supplemental security backs a Mortgage Loan, timely receipt of the proceeds of the supplemental security may be material to the Corporation's ability to pay the principal or redemption price of and interest on the Bonds. In the case of Mortgage Loans which are not secured by additional supplemental security or a subsidy program, the Revenues derived from such Mortgage Loans are entirely dependent on the Mortgagor's ability to make payments under the Mortgage Loan. The Mortgagor's ability to make payments required under the Mortgage Loan is and will be affected by a variety of factors including the maintenance of a sufficient level of occupancy, the level of operating expenses, sound management of a Development, the ability to achieve and maintain rents to cover payments under the Mortgage Loan, and operating expenses, taxes, utility rates and maintenance costs and changes in applicable laws and governmental regulations. In addition, the continued feasibility of a Development may depend in part upon general economic conditions and other factors in the surrounding area of a Development. See "PLAN OF FINANCING—1998 Series B Development" and "THE PROGRAM—Certain Factors Affecting the Mortgage Loans."

The 1998 Series B Bonds are subject to redemption at the times, at the prices, upon the conditions and under the circumstances described under the caption "DESCRIPTION OF THE 1998 SERIES B BONDS—Redemption Provisions."

Under the General Resolution, the Corporation is authorized to issue Bonds (which may be secured on a parity with, or be subordinate in right of payment to, the Bonds which are not Subordinate Bonds) to finance any of its corporate purposes for which bonds may be issued under the Act, or any other applicable law now or hereafter enacted, including but not limited to financing mortgage loans. No such additional Bonds may be issued under the General Resolution unless certain conditions set forth therein are met, including confirmation of the then existing ratings on the Outstanding Bonds (other than Subordinate Bonds) by each of the Rating Agencies then rating such Bonds.

Under the General Resolution, the payment of the principal or redemption or purchase price of and interest on all such additional Bonds may, but is not required to, be secured by a letter of credit, financial guaranty or other credit or liquidity enhancement. In addition, if Mortgage Loans are to be financed by any such additional Bonds and pledged to secure the Bonds, such Mortgage Loans need not create a first lien on such Projects and such Mortgage Loans or the Projects financed thereby may, but are not required to, be subject to supplemental security insuring or securing against Mortgage Loan default losses. Such supplemental security, if any, may be in the form of, among other things, insurance, a letter of credit, a surety bond or an escrow deposit. In addition, such insurance or guaranty may be obtained pursuant to one or more programs of the federal government or state or local agencies.

The General Resolution does not require that the Corporation pledge its interests in the assets financed with the proceeds of additional Bonds, or the revenues derived therefrom, to secure the Bonds. Moreover, the Corporation may withdraw Mortgage Loans and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement as more fully described under the caption "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates."

The 1998 Series B Bonds are not a debt of the State or The City of New York, and neither the State nor The City of New York shall be liable thereon, nor shall the 1998 Series B Bonds be

payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Descriptions of the Corporation, the Program, the 1998 Series B Bonds and sources of payment therefor and the Resolutions are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 1998 Series B Bonds are qualified in their entirety by reference to the Resolutions and the provisions with respect thereto included in the aforesaid documents and agreements. The Corporation has covenanted in the General Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant's Certificate relating thereto to the Trustee and to each Bond owner who shall have filed such owner's name and address with the Corporation for such purposes. The Corporation has also committed to provide certain information on an ongoing basis to certain repositories. For a description of the Corporation's undertaking with respect to ongoing disclosure, see "CONTINUING DISCLOSURE." Summaries of the FHA Insurance, GNMA Mortgage-Backed Securities, SONYMA Insurance, Section 8, Section 236, PLP, HoDAG, GML Article 16, New HOP and Mitchell-Lama programs, and HAC are qualified in their entirety by reference to any statutes, regulations or agreements mentioned in such summaries. See Appendix F hereto.

THE CORPORATION

Organization and Membership

The Corporation, pursuant to the Act, consists of the Commissioner of The City of New York Department of Housing Preservation and Development ("HPD") (who is designated as Chairperson of the Corporation pursuant to the Act), the Commissioner of Finance of The City of New York (the "City") and the Director of Management and Budget of the City (such officials to serve ex-officio), and four public members, two appointed by the Mayor of the City and two appointed by the Governor of the State. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

Members

RICHARD T. ROBERTS, Chairperson and Member ex-officio. Mr. Roberts was appointed Commissioner of HPD effective March 3, 1997. He most recently served as Vice President of Government and Community Relations at the Mount Sinai Medical Center. Prior to that, Mr. Roberts was an Assistant to the Mayor of the City from 1994 to 1995. From January 1993 to 1994, Mr. Roberts served as Vice President of The Edison Project, a private enterprise which manages public schools. Mr. Roberts started his career in 1989 as an associate at the law firm of Davis Polk & Wardwell. Mr. Roberts is a graduate of Yale University and Yale Law School and is a member of the New York Bar. He also serves as a trustee of the Brooklyn Children's Museum.

BILL GREEN, Vice Chairperson and Member, serving pursuant to law. Mr. Green has served as a Board member of The Housing Partnership Development Corporation since 1993. Mr. Green has also served as a Board member of the General American Investors Company, a New York Stock Exchange listed closed-end investment company, since January 1993. Previously, he represented New York's 15th Congressional District in the U.S. House of Representatives for eight terms,

from February 14, 1978 to January 1993. From 1981 to 1992, he served on the House Appropriations Committee and was the Ranking Republican Member of its Veterans Affairs, Housing and Urban Development, and Independent Agencies Subcommittee. Mr. Green co-chaired the National Commission on Severely Distressed Public Housing from 1991 to 1992. Prior to his election to the Congress, from 1970 to 1977, he was the Regional Administrator of the U.S. Department of Housing and Urban Development for the federal region which included New York, New Jersey, Puerto Rico and the Virgin Islands. Before that Mr. Green was a member of the New York State Assembly from 1965 to 1968. From 1961 to 1964, he served as Chief Counsel to the New York Joint Legislative Committee on Housing and Urban Development. Mr. Green has also been an attorney in private practice in New York City.

ROBERT M. HARDING, Member ex-officio. Mr. Harding was appointed Director of the Office of Management and Budget in July 1998. Prior to that, Mr. Harding served as the Director of State Legislative Affairs for The City of New York. He is admitted to the New York State Bar and the United States District Court for the Southern, Eastern and Northern Districts of New York. He attended Brooklyn Law School after graduating from the State University of New York at Plattsburgh. From 1987 to 1997 he served as an Adjunct Clinical Professor of Law at the Albany Law School.

ALFRED C. CERULLO, III, Member ex-officio. Mr. Cerullo was re-appointed Commissioner of Finance effective January 1998. Prior to that he held the position of Deputy Campaign Manager for Mayor Rudolph W. Giuliani. He previously served as Commissioner of Finance from December 1995 to July 1997 as well as Commissioner of the New York City Department of Consumer Affairs from February 1994 to June 1996. Prior to that, Mr. Cerullo represented portions of the mid-island and the south shore communities of Staten Island in the New York City Council for four years. During his tenure on the City Council, he served as the legislative body's Republican Leader and was an active member of the Council Committee on Finance, and budget negotiation team. From 1986 to 1990, he served as Legal Counsel to the Minority Leader of the City Council. He is a graduate of St. John's University and the St. John's University School of Law.

HARRY E. GOULD, JR., Member, term expires December 31, 1999. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a member of the Board of Directors of Domtar, Inc., a Canadian manufacturer of paper products and construction materials. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was a member and served on the Executive Committee of the President's Export Council, and was Chairman of the Export Expansion Subcommittee from 1977-1980. He is a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee. He is a member of the Board of Directors of the USO of Metropolitan New York, United Cerebral Palsy Research and Educational Foundation and the National Multiple Sclerosis Society of New York and is a Trustee of the Riverdale Country School. He is also a member of the Board of Trustees of the American Management Association.

CHARLES G. MOERDLER, Member, term expires January 1, 1999. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler

was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.

MICHAEL W. KELLY, Member, term expires January 1, 2001. Mr. Kelly is Managing Director of Ambac Capital Corporation and oversees the financial derivatives and reinvestments businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

Principal Officers

RICHARD T. ROBERTS, Chairperson.

BILL GREEN, Vice Chairperson.

RUSSELL A. HARDING, President. Mr. Harding was appointed President of the Corporation on June 23, 1998. During the two years prior to his nomination, he served as Executive Vice President at the New York City Economic Development Corporation. Prior to that, Mr. Harding served the City as the Coordinator of Intergovernmental Affairs for the Office of the Mayor. While at the Mayor's Office, he also established and oversaw the Office of Grants Administration. From 1987 through 1993, he worked both as an aide to U.S. Senator Alfonse D'Amato and a communications executive in the private sector. Mr. Harding also serves as President of the New York City Residential Mortgage Insurance Corporation.

CHARLES A. BRASS, First Senior Vice President for Development and Policy. Mr. Brass was appointed First Senior Vice President for Development and Policy on August 6, 1998. Prior to his most recent appointment, he served as Vice President for Development from 1991 to 1998. He has also held other positions in the Development Department since he joined the Corporation in 1984. From 1981 to 1984, Mr. Brass worked for HPD's Development and Policy Departments. He served on the Board of Directors of the Association of Local Housing Finance Agencies from 1988 to 1998.

HARRY I. FRIED, Chief Financial Officer. Mr. Fried was appointed Chief Financial Officer on August 6, 1998. Mr. Fried joined the Corporation in December 1986 as an Investment Analyst, and was appointed Assistant to the Treasurer in September 1992 and Assistant Treasurer in July 1996. Prior to joining the Corporation, Mr. Fried was an Assistant Branch Manager at UMB Bank and Trust Company. He received his MBA from New York University Graduate School of Business Administration.

DAVID S. BOCCIO, Senior Vice President and General Counsel. Mr. Boccio was appointed General Counsel on June 23, 1998 and Senior Vice President of the Corporation on August 6, 1998. He previously served the Corporation as Vice President/Deputy General Counsel and Secretary. Prior to joining the Corporation in 1986, he was associated with a law firm in Washington, D.C. He is a member of the New York, Maryland and District of Columbia Bars.

WILLIAM A. MELTZER, Deputy General Counsel and Secretary. Mr. Meltzer, an attorney and member of the New York Bar, joined the Corporation in September 1994 as Assistant General Counsel and was appointed Deputy General Counsel and Secretary in March 1996. Prior to joining the Corporation, he was associated with law firms and the Federal Deposit Insurance Corporation in New York City.

Purposes and Powers of the Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in the City of New York for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans and unsecured loans to specified private entities; to purchase loans from lending institutions; to make loans insured or co-insured by the federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the Bonds, notes, or other obligations are outstanding.

The sale of the 1998 Series B Bonds and the terms of such sale are subject to the approval of the Comptroller of the City. The Corporation is a "covered organization" as such term is defined in the New York State Financial Emergency Act for The City of New York, as amended, and the issuance of the 1998 Series B Bonds is subject to the review of the New York State Financial Control Board for The City of New York.

The Corporation's audited financial statements for the fiscal year ended October 31, 1997 including as Schedule 1 supplemental information related to the Program are contained in Exhibit B hereto. In addition, a summary of assets and revenues related to the Program are described, in part, under "THE

PROGRAM—Summary of Program Assets and Revenues." For a description of the other activities of the Corporation, see "Appendix C—Other Activities of the Corporation."

PLAN OF FINANCING

General

Upon the issuance of the 1998 Series B Bonds, an amount of such proceeds equal to the Debt Service Reserve Account Requirement with respect to the 1998 Series B Bonds shall be deposited in the Debt Service Reserve Account and the balance of such proceeds will be deposited in the Bond Proceeds Account. The portion of such proceeds deposited in the Bond Proceeds Account will be used by the Corporation to make the 1998 Series B Construction Loan, which loan, upon satisfaction of certain conditions, will be converted to the 1998 Series B Permanent Mortgage Loan (see "1998 Series B Mortgage Loan" below).

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the 1998 Series B Bonds are expected to be approximately as follows:

SOURCES:

Principal Amount of Bonds	<u>\$21,380,000</u>
TOTAL SOURCES	<u>\$21,380,000</u>

USES:

Deposit to Bond Proceeds Account*	\$20,665,000
Deposit to Debt Service Reserve Account	<u>715,000</u>
TOTAL USES	<u>\$21,380,000</u>

* The Underwriters' compensation equals \$190,173.84, a portion of which may be paid from funds available under the 1998 Series B Construction Loan upon the issuance of the 1998 Series B Bonds.

1998 Series B Mortgagor

The 1998 Series B Mortgagor is a New York State not-for-profit corporation formed by the chairpersons of SFDS Development Corp. ("SFDS"), Terence Cardinal Cooke Health Care Center ("Cooke") and St. Vincent's Hospital and Medical Center of New York ("St. Vincent's") to develop and own the 1998 Series B Development. The 1998 Series B Mortgagor has obtained a letter from the Internal Revenue Service indicating that it has determined the 1998 Series B Mortgagor to be exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The board of directors of the 1998 Series B Mortgagor comprises nine members, three each appointed by the chairpersons of SFDS, Cooke and St. Vincent's.

The 1998 Series B Mortgagor has not previously engaged in any business operations, has no historical earnings and has no assets other than its interest in the 1998 Series B Development. Accordingly, it is expected that the 1998 Series B Mortgagor will not have any other sources of funds to make payments on the 1998 Series B Mortgage Loan other than the revenues generated by the 1998 Series B Development.

1998 Series B Operator

The 1998 Series B Mortgagor is expected to enter into an operating agreement with de Sales Assisted Living Operating Corp. (the "1998 Series B Operator"), a to be formed New York State not-for-profit corporation, to operate the 1998 Series B Development. Although the 1998 Series B Operator has no operating history, it will be formed by the same members comprising the board of directors of the 1998 Series B Mortgagor as a separate not-for-profit corporation. After initial incorporation, the boards of the 1998 Series B Mortgagor and the 1998 Series B Operator will be co-terminus, consisting of nine members, approved as to character and fitness by the New York State Department of Health ("DOH"), each with a history of providing housing for low income families, and medical care or nursing home care for the elderly.

SFDS is a not-for-profit housing company having developed more than 500 units of housing for the elderly, low income and homeless families in East Harlem. St. Vincent's is one of the largest voluntary not-for-profit hospitals in New York City and has an extensive home care program providing services to the elderly. St. Vincent's Certified Home Health Care Agency ("CHHA") will provide such home cares services as required by DOH for the 1998 Series B Development. Cooke is one of the largest not-for-profit nursing facilities in New York City, providing care to more than 600 elderly, disabled and persons with AIDS. Together, the chairpersons of these three organizations applied for and received preliminary (Part I) application approval from DOH for the 1998 Series B Operator to operate an Assisted Living Program ("ALP") at the 1998 Series B Development. Upon completion of the 1998 Series B Development, the 1998 Series B Operator will apply for final (Part II) approval for each of the Licenses (as defined in "1998 Series B Development" below), all of which are required to operate the 1998 Series B Development. At this time, the 1998 Series B Mortgagor believes that said approval and Licenses will be obtained in a timely manner. See the risks described below in "PLAN OF FINANCING—1998 Series B Development" and "—1998 Series B Mortgage Loan."

1998 Series B Development

The 1998 Series B Development will be constructed on vacant land located at 1261 Fifth Avenue in Manhattan. The 1998 Series B Development will be constructed by Frank Corigiliano Contractor, Inc., a privately owned general contractor, with 70 years of experience. Frank Corigiliano Contractor, Inc. has completed over \$200 million in new construction of governmentally supported residences, in particular residences for seniors, in the past seven years.

In addition to the 1998 Series B Bond proceeds used to fund the 1998 Series B Mortgage Loan, construction of the 1998 Series B Development will be financed from (i) the proceeds of an additional mortgage loan of \$960,000 from the Corporation to the 1998 Series B Mortgagor which will be subordinate to the 1998 Series B Mortgage Loan and will not be pledged as security for the 1998 Series B Bonds, (ii) the proceeds of a loan of \$1,150,000 from The Dime Savings Bank of New York, FSB which will be subordinate to the 1998 Series B Mortgage Loan and will not be pledged as security for the 1998 Series B Bonds and (iii) other sources of funds available to the 1998 Series B Mortgagor.

The 1998 Series B Development will have a fourteen-story wing fronting Fifth Avenue, with a nine-story wing fronting East 108th Street, and will contain 127 studio apartments ranging in size from 400 to 532 square feet plus one superintendent's unit, a commercial kitchen, a communal dining room, a library, community space, administrative space and laundry rooms on certain floors. Certain administrative services pertaining to the 1998 Series B Development, including billing and case management, will be provided by Cooke. The 1998 Series B Development is specifically designed to be occupied by, and to meet the needs of, a frail elderly population in a supported residential setting. Meals and limited personal care services will be provided. Residents of the 1998 Series B Development must be medically and mentally eligible to live in the facility. In 1992, the Department of Health of the State of New York had identified a need for 1,641 assisted living units in the City; since 1992, only a fraction of such assisted living units have been placed in service.

At least ninety percent (90%) of the residents are expected to be low income tenants who qualify for New York State Medicaid reimbursement ("Medicaid") and/or Supplemental Security Income ("SSI"). As described below, these tenants are expected to utilize Medicaid and SSI to pay for their expenses. The remaining residents are not expected to be low income tenants and are expected to use private funds to pay for their expenses.

The 1998 Series B Development will be operated as an ALP as defined in the New York Public Health Law, Section 3614(6) and New York Social Services Law, Section 461-1(5) ("ALP Regulations"). Upon completion of construction, the 1998 Series B Operator is expected to receive (i) an "Enriched Housing Program" license which evidences that the specific building and services expected to be provided at the site are suitable for serving the frail elderly; (ii) a license to operate a "Licensed Home Care Agency" which will enable the 1998 Series B Operator to provide personal care services and (iii) the ALP license which will enable the 1998 Series B Operator to be reimbursed by Medicaid and SSI payments for the provision of personal care services (collectively, the "Licenses"). In addition, home health care services are required to be provided by a CHHA and will be provided at the 1998 Series B Development by the St. Vincent's CHHA.

The 1998 Series B Mortgagor anticipates construction of the 1998 Series B Development to be completed in March 2000, with full occupancy expected to occur within twelve (12) months after construction completion. The 1998 Series B Mortgagor expects that the anticipated revenues at the 1998 Series B Development, based on 95% occupancy, will be sufficient to pay operating expenses of the 1998 Series B Development and payments under the 1998 Series B Mortgage Loan.

In addition to the general risks described in "PLAN OF FINANCING—1998 Series B Mortgage Loan," the ability of the 1998 Series B Mortgagor to generate sufficient revenues may be affected by a variety of factors, including, but not limited to, maintenance of a sufficient level of occupancy, the demand for services provided at the 1998 Series B Development, competition from other facilities for the elderly, demographic and economic changes in the service area, the level of operating expenses, the level and actual receipt of funding for ALP residents under Medicaid and SSI, and any adverse changes in applicable laws and regulation.

1998 Series B Mortgage Loan

It is anticipated that the proceeds of the 1998 Series B Bonds will be utilized to make the 1998 Series B Mortgage Loan for the 1998 Series B Development.

The 1998 Series B Mortgagor has executed a commitment (the "HDC Commitment") from the Corporation in which the Corporation has agreed to provide the 1998 Series B Mortgage Loan both during construction and on a permanent basis. The HDC Commitment requires the 1998 Series B Mortgagor to obtain a letter of credit, to be available during construction, from a bank acceptable to the Corporation as a condition to the Corporation providing the 1998 Series B Construction Mortgage Loan; said letter of credit need not meet the requirements under the Resolution for a Credit Facility. During construction, such letter of credit may be drawn upon by the Corporation if the 1998 Series B Mortgagor fails to make the required payments of interest and principal on the 1998 Series B Mortgage Loan. Such letter of credit is not pledged to the owners of the 1998 Series B Bonds; however, any payments received by the Corporation from the letter of credit provider pursuant to such letter of credit will be pledged for the benefit of the owners of the 1998 Series B Bonds. Upon receipt of payments equal to the outstanding principal balance of the 1998 Series B Mortgage Loan plus the lesser of (i) accrued interest or (ii) the maximum amount available with respect to accrued interest, such 1998 Series B Mortgage Loan will be immediately assigned to the letter of credit provider and no longer be pledged for the benefit of the owners of the 1998 Series B Bonds. Following the completion of construction and the satisfaction of certain conditions, including those set forth in the HDC Commitment and the SONYMA Commitment (as defined below), the 1998 Series B Construction Mortgage Loan will be converted to the 1998 Series B Permanent Mortgage Loan and SONYMA will insure payment of the 1998 Series B Permanent Mortgage Loan. Prior to the issuance of the 1998 Series B Bonds, SONYMA will issue its commitment to insure and certificate of insurance (the "SONYMA Commitment") setting forth, among other things, its conditions for insuring the 1998 Series B Permanent Mortgage Loan. Upon the issuance of the SONYMA Insurance, the Corporation will release the letter of credit relating to the 1998 Series B Construction Mortgage Loan. Until such letter of credit is released, the bank issuing the letter of credit will service the 1998 Series B Mortgage Loan.

The ability of the 1998 Series B Mortgagor to qualify for the 1998 Series B Permanent Mortgage Loan is subject to satisfaction of, among other things, the conditions of the HDC Commitment and the SONYMA Commitment, the satisfactory completion of construction within a certain time schedule and construction budget, the issuance of a permanent certificate of occupancy (or a temporary certificate together with required collateral to be held until the issuance of a permanent certificate), receipt by the 1998 Series B Operator of DOH approval for the Licenses, certification of daily Medicaid rates and monthly SSI rates for the 1998 Series B Development, certification that projected annual income at least equals projected annual operating expenses of the 1998 Series B Development, certification of certain projected minimum revenue levels, and delivery of other required certificates and legal opinions. No assurances can be given that the 1998 Series B Construction Mortgage Loan and/or the 1998 Series B Permanent Mortgage Loan will be funded in the amounts presently contemplated by the Corporation (see "DESCRIPTION OF THE 1998 SERIES B BONDS—Redemption Provisions—Special Redemption from Unexpended 1998 Series B Bond Proceeds" and "Appendix D—Development and Mortgage Loan Expected to be Financed with the Proceeds of the 1998 Series B Bonds"). In addition, if for any reason the SONYMA Insurance is not issued for the 1998 Series B Mortgage Loan, the 1998 Series B Bonds could be redeemed (see "DESCRIPTION OF THE 1998 SERIES B BONDS—Redemption Provisions—Special Redemption from Recoveries of Principal").

The 1998 Series B Mortgage Loan will be evidenced by one or more mortgage notes payable to the Corporation and secured by one or more mortgage liens on the 1998 Series B Development.

For additional information on the 1998 Series B Mortgage Loan and the 1998 Series B Development, see Appendix D hereto.

THE PROGRAM

General

Under the Program, the Corporation may issue Bonds to finance any corporate purpose for which bonds may be issued under the Act or any other applicable law now or hereafter enacted. The 1998 Series B Bonds are being issued to fund the 1998 Series B Construction Loan and the 1998 Series B Permanent Mortgage Loan for the 1998 Series B Development.

As of May 31, 1998, the aggregate outstanding principal balance of Mortgage Loans financed under the Program was \$511,653,131. The Mortgage Loans financed 87 Developments located throughout the City and that contain 15,772 multi-family rental housing units. All but twenty-three (23) of the Developments have been in operation since at least April 1993. As of May 31, 1998, Developments representing approximately 93% of the aggregate outstanding principal balance of Mortgage Loans were at least 95% occupied and all but four (4) of the Developments (which four (4) Developments represent approximately 1% of the aggregate outstanding principal balance of Mortgage Loans) were at least 90% occupied. Subsequent to May 31, 1998, two (2) Mortgage Loans requiring prepayment approval of FHA and the Corporation with an aggregate outstanding principal balance as of May 31, 1998 of \$10,153,116 were prepaid in full (see "Prepayments of Principal" below). In addition, subsequent to May 31, 1998, the Mortgagors of certain Developments have expressed an intention to prepay their respective Mortgage Loans (see Appendix E-1 hereto). All of the Mortgagors for the Developments are current in making scheduled payments under their respective Mortgage Loans. There have been no material monetary defaults on any of the Mortgage Loans other than temporary financial difficulties with respect to certain Developments during rent-up which occurred during the 1970's and have since been cured. For additional information on the Mortgage Loans and the Developments, see Appendix E-1 hereto.

All of the outstanding Mortgage Loans under the Program are secured by first mortgage liens on their respective Developments. As further security, all but thirty-one (31) of such Mortgage Loans, which thirty-one (31) Mortgage Loans had as of May 31, 1998 an aggregate outstanding principal balance of \$241,673,836, are subject to supplemental security insuring or securing against Mortgage Loan default losses. Such supplemental security includes FHA Insurance issued by FHA pursuant to the provisions of Section 220, 221(d)(3) or 221(d)(4) of the National Housing Act, GNMA Securities, and SONYMA Insurance issued pursuant to Article 8, Title 17 Part II of the New York State Public Authorities Law by SONYMA. In addition, all of the Mortgage Loans outstanding under the Program are a beneficiary of a federal, state or local subsidy program, including Section 8, Section 236, PLP, HoDAG, GML Article 16 and New HOP programs, and HAC, with the exception of three (3) Mortgage Loans which had as of May 31, 1998 an aggregate outstanding principal balance of \$110,750,962. Each supplemental security and subsidy program is implemented under different federal, state or local statutes and is subject to its own rules and guidelines. The Developments subsidized through the Section 236 program (the "Section 236 Developments"), and the Developments not secured by supplemental security such as FHA Insurance, SONYMA Insurance or GNMA Mortgage-Backed Securities and not subsidized through subsidy programs such as the Section 8, Section 236, PLP, HoDAG, GML Article 16 or New HOP programs, or HAC (the "Unsubsidized Developments") are regulated by HPD pursuant to the Mitchell-Lama Law. For a detailed description, see "THE PROGRAM" and "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs."

The table below summarizes Developments and Mortgage Loans outstanding under the Program as of May 31, 1998:

Summary of Developments and Mortgage Loans

Supplemental Security	Subsidy Program(s)*	Number of Developments/ Mortgage Loans	Number of Dwelling Units	Outstanding Principal Balance of Mortgage Loans**	Percentage of Total Outstanding Principal Balance of Mortgage Loans
FHA 220	Section 8	15	1,567	\$104,906,922	20.50%
FHA 221(d)(3)	Section 8	1	208	13,049,455	2.55%
FHA 221(d)(4)	Section 8	18	1,867	87,546,165	17.11%
FHA 221(d)(4)	Section 8 Moderate Rehabilitation	1	270	8,909,861	1.74%
FHA 221(d)(4)	Section 8 Moderate Rehabilitation/PLP	1	66	1,129,858	0.22%
FHA 221(d)(4)	PLP***	2	1,056	10,153,116	1.98%
FHA 221(d)(4)	HoDAG	1	58	1,633,779	0.32%
FHA 221(d)(4)	HoDAG/PLP	6	410	7,575,767	1.48%
SONYMA	Section 8 Moderate Rehabilitation/PLP	1	48	430,030	0.08%
SONYMA	PLP	6	1,470	9,185,192	1.80%
GNMA	HAC	4	364	25,459,150	4.98%
None	PLP****	24	1102	12,956,832	2.53%
None	Section 236	3	3,461	110,467,781	21.59%
None	GML Article 16	1	198	7,498,262	1.47%
None	New HOP*****	-	-	-	-
None	None	3	3,627	110,750,962	21.65%
TOTAL		87	15,772	\$511,653,131	100.00%

* Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

** May not add due to rounding.

*** Subsequent to May 31, 1998, these two (2) Mortgage Loans were prepaid in full.

**** Subsequent to May 31, 1998 through August 17, 1998, two (2) Developments consisting of an aggregate of 104 dwelling units with an aggregate outstanding mortgage loan balance of \$1,513,738 were financed from 1997 Series C Bond proceeds.

***** Subsequent to May 31, 1998 through August 17, 1998, one (1) Development consisting of 90 dwelling units with an anticipated mortgage loan balance of \$7,713,000 was financed from 1998 Series A Bond proceeds; as of August 17, 1998, \$657,882 had been advanced during construction. In addition, subsequent to May 31, 1998 through August 17, 1998, one (1) Development consisting of 122 dwelling units with an outstanding construction mortgage loan balance of \$17,600,000 was financed from 1998 Series A Bond proceeds; as of August 17, 1998, \$754,217 had been advanced during construction, the permanent mortgage loan amount is anticipated to be \$11,825,000.

In addition to the completed Developments described above, the Corporation expects to use the proceeds of the 1997 Series B Bonds currently on deposit in the amount of \$11,637,000 to finance seven (7) permanent Mortgage Loans to seven (7) Developments containing 233 multi-family rental units within the next eighteen (18) months. These Developments are being substantially rehabilitated under the PLP program. In addition, the Corporation expects to use the remaining proceeds of the 1997 Series C Bonds on deposit as of August 17, 1998 in the amount of \$18,408,345, together with its own funds, to finance twenty-seven (27) permanent Mortgage Loans to twenty-seven (27) Developments containing 1,844 multi-family rental units within the next two years. The Mortgage Loans expected to be financed with the proceeds of the 1997 Series B Bonds and the 1997 Series C Bonds will not be subject to supplemental security. Further, the Corporation expects to use the remaining proceeds of the 1998 Series A Bonds on deposit as of August 17, 1998 in the amount of \$56,387,901 to finance two (2) construction Mortgage Loans to two (2) Developments already closed as well as seven (7) additional Mortgage Loans to seven (7) Developments containing a total of 663 multi-family rental units within the next two (2) years. The Mortgage Loans to be financed with the proceeds of the 1998 Series A Bonds are not expected to be subject to supplemental security. However, the Corporation may seek partial mortgage insurance from SONYMA or the New York City Residential Mortgage Insurance Corporation (a subsidiary of the Corporation) for certain of the Developments financed with the 1998 Series A Bonds, which, if obtained, would be effective subsequent to completion of construction and rent-up of the applicable Development. See "Appendix E-2—Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 1997 Series B Bonds, the 1997 Series C Bonds and the 1998 Series A Bonds" for a description of the Developments to be financed with the 1997 Series B Bonds, the 1997 Series C Bonds and the 1998 Series A Bonds.

The General Resolution provides for the issuance of additional Bonds to be used for financing any corporate purpose including the financing of Mortgage Loans and Developments which are neither subject to supplemental security nor subsidized. Furthermore, the General Resolution does not require Mortgage Loans to be secured by first mortgage liens on their respective Developments. Moreover, the Corporation may withdraw Mortgage Loans and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement or Cash Flow Certificate. See "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates."

All of the Mortgage Loans are serviced by the Corporation except for (i) the Mortgage Loans financed through the acquisition of GNMA Securities which are serviced by the applicable Mortgage Banker and (ii) with respect to certain construction loans being financed by the proceeds of the 1998 Series A Bonds and the 1998 Series B Construction Loan, which will be serviced by the bank issuing the letter of credit during construction. With respect to Mortgage Loans serviced by the Corporation and not regulated by HPD, an escrow account for the payment of taxes, hazard insurance and mortgage insurance, if any, is maintained by the Corporation for each Development and is funded from the monthly revenues of each such Development. FHA and GNMA regulations impose similar obligations on the Mortgage Banker in connection with the Mortgage Loans financed through the acquisition of GNMA Securities. However, with respect to Mortgage Loans regulated by HPD pursuant to the Mitchell-Lama Law, there is no such escrow requirement. With respect to Mortgage Loans serviced by the Corporation and not regulated by HPD, each Mortgagor is also required to maintain a reserve fund for replacements with the Corporation. These reserve funds for replacements are funded from the monthly revenues of their respective Development. With respect to Mortgage Loans regulated by HPD pursuant to the Mitchell-Lama Law, each Mortgagor is required to maintain a reserve fund for replacements. All of the Developments are subject to certain regulatory requirements. Most of the Developments are subject to such regulatory requirements contained in agreements between the Mortgagor, HUD and/or the Corporation. The agreements, among other things, regulate the use of revenues, specify standards and

provisions for the management, maintenance and occupancy of the Development, establish and regulate certain reserve funds, and establish dates for financial reporting. However, with respect to Mortgage Loans regulated by HPD pursuant to the Mitchell-Lama Law, there are no such regulatory agreements between the Mortgagor, HPD and/or the Corporation. Notwithstanding this, the Mortgagors of such Mortgage Loans must comply with the Mitchell-Lama Law as well as certain rules and regulations of HPD. In general, the applicable reserves at the Developments serviced by the Corporation were funded at the required levels. Financial statements for each Development are required to be furnished to the Corporation annually.

The Corporation conducts an annual site review of each Development to monitor its physical condition. During this review, the Corporation undertakes various procedures to monitor the exterior and interior physical condition of the Developments. The Corporation's inspection ratings for the Developments include four rating levels: superior, satisfactory, below average and unsatisfactory. As of May 31, 1998, the physical condition of the inspected Developments based upon the aggregate outstanding principal balance of Mortgage Loans was approximately 3% superior, 87% satisfactory, 10% below average and 0% unsatisfactory. The Corporation's annual inspection reviews include recommendations for curing deficiencies. The Corporation monitors those Developments which receive below average and unsatisfactory ratings in order to determine whether the curative work has been undertaken and completed within a prescribed time frame. In order to cure deficiencies and thus improve the ratings of such Developments, the Corporation may advise the Mortgagor to request a drawdown on its respective reserve fund for replacements. If the reserves are not sufficient to cover the work required to improve a Development's rating or if the Corporation has determined that the low rating is due to Mortgagor neglect, the Corporation will meet with the Mortgagor to discuss corrective actions in all review reporting areas which include management practices, financial operations, vouchering procedures, as well as physical condition. For additional information concerning the Mortgage Loans and the Developments, their respective physical inspection ratings and the Corporation's inspection procedures, see Appendix E-1 hereto and "Appendix E-4—Mortgage Loan Physical Inspection Ratings." In addition, the Corporation conducts an annual review of the inspected Developments to monitor their financial condition and the Section 8 Developments (as defined below in "The Section 8 Program") to monitor their financial management controls.

Any Development subsidized through the Section 8 program which receives an unsatisfactory physical condition rating by the Corporation may have its subsidy payments reduced, suspended or terminated. **In the event such payments were reduced, suspended or terminated in respect of a Mortgage Loan secured by a Section 8 contract, such reduced, suspended or terminated payments would not be available to pay debt service on such Mortgage Loan, which could result in a default on such Mortgage Loan.** All such Mortgage Loans currently pledged under the General Resolution are the beneficiary of supplemental security in the form of FHA Insurance except for one such Mortgage Loan which is the beneficiary of supplemental security in the form of SONYMA Insurance.

Notwithstanding any insurance coverage required by FHA (see "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs—The FHA Insurance Program—General") or SONYMA, with respect to the Mortgage Loans the Corporation services, the Corporation requires property, liability, boiler and machinery, and fidelity insurance. Property insurance must cover at least the outstanding Mortgage Loan amount and lost rental value of at least one year's rental income at the Development. Currently, all such Developments are in compliance with the Corporation's insurance requirements.

The following sections include a description of the Bonds outstanding under the Program and a summary of Program assets and revenues. Brief descriptions of FHA Mortgage Insurance, Mortgage Loans not subject to supplemental security, the Section 8, Section 236 and Mitchell-Lama programs, and certain factors affecting the Mortgage Loans are also included herein. More detailed descriptions of FHA Mortgage Insurance, the Section 8 and Section 236 programs and each of the other supplemental security programs and subsidy programs currently being utilized under the Program as well as the Mitchell-Lama program may be found in Appendix F hereto.

Bonds Outstanding Under the Program

As of May 31, 1998, the following series of Bonds were Outstanding under the Program:

<u>Series</u>	<u>Original Par Amount</u>	<u>Outstanding Par Amount</u>
1993 Series A	\$ 15,020,000	\$ 14,155,000
1993 Series B	114,980,000	107,700,000
1994 Series A	6,500,000	6,050,000
1995 Series A	49,635,000	40,210,000
1996 Series A	217,310,000	202,495,000
1997 Series A	12,215,000	11,830,000
1997 Series B	13,050,000	13,050,000
1997 Series C	30,000,000	30,000,000
1998 Series A	<u>57,800,000</u>	<u>57,800,000</u>
 TOTAL	 <u>\$516,510,000</u>	 <u>\$483,290,000</u>

Summary of Program Assets and Revenues

The audited financial statements of the Corporation for the fiscal year ended October 31, 1997 include supplemental information related to the Program (referred to therein as the "Housing Revenue Bond Program") which is specifically set forth in Schedule 1 to the audited financial statements and referenced in the independent auditor's report related thereto. Schedule 1 is supplemental information primarily related to the Program for the Corporation's fiscal years ended October 31, 1996 and October 31, 1997. Said schedule includes (i) a balance sheet with assets, liabilities and fund balances substantially related to the assets pledged under the General Resolution and (ii) a statement of revenues and expenses substantially related to the revenues pledged under the General Resolution. However, this schedule also includes some financial information unrelated to the assets and revenues pledged under the General Resolution. In addition, this schedule does not include financial information regarding the 1998 Series A Bonds, or the 1998 Series B Bonds, or with respect to the Mortgage Loans financed or expected to be financed by the proceeds of the 1998 Series A Bonds, or the 1998 Series B Mortgage Loan. See "PLAN OF FINANCING."

Schedule 1 contains a balance sheet which reflects fund balances of \$157,433,000 for the fiscal year ended October 31, 1997, an increase of 6% from the 1996 fiscal year. This schedule also reflects an excess of revenues over expenses after operating transfers of \$21,232,000 in the fiscal year ended October 31, 1997, an increase of 31% from the 1996 fiscal year.

The Corporation may withdraw assets and surplus revenues from the pledge and lien of the General Resolution upon the filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate as more fully described under the caption "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates." Since the inception of the Program, the Corporation has made withdrawals of surplus revenues. During the fiscal year ending October 31, 1997, the Corporation withdrew \$15,082,401 in surplus revenues and during the fiscal year ending October 31, 1996, the Corporation withdrew \$14,204,705 in surplus revenues. Subsequent to October 31, 1997 through May 31, 1998, the Corporation withdrew \$13,762,148 in surplus revenues.

FHA Mortgage Insurance

Certain Mortgage Loans are insured under multi-family mortgage insurance programs administered by HUD, acting through FHA, as established pursuant to Sections 220, 221(d)(3) and 221(d)(4) of Title II of the National Housing Act and the regulations thereunder (the "FHA Mortgage Loans"). The Corporation, as an FHA-approved mortgagee for the FHA Mortgage Loans, is eligible to receive FHA Insurance benefits in the event of a default under the FHA Mortgage Loans. FHA regulations define a default under an FHA insured mortgage (including the note incorporated therein) as: (1) a failure to make any payments due under such mortgage or (2) a failure to perform any other mortgage covenant (which includes the failure of the Mortgagor to keep the Project in good repair and covenants in the regulatory agreement executed in connection with such FHA insured mortgage) if the mortgagee, because of such failure, has accelerated the debt. In the event that there is a default beyond applicable notice and grace periods under the FHA regulatory agreement and FHA so requests, the mortgagee, at its option, may declare the whole indebtedness due and payable. Furthermore, the FHA regulations provide that upon notice of a violation of a mortgage covenant, FHA reserves the right to require the mortgagee to accelerate payment of the outstanding principal in order to protect FHA's interests. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements.

The Corporation has covenanted to take all steps reasonably necessary in its judgment to protect its rights with respect to the FHA Mortgage Loans, which shall include notifying FHA of a default under any FHA Mortgage Loan and otherwise complying with all applicable FHA Insurance procedures, including the timely assignment of any FHA Mortgage Loan in default, so as to avoid any loss or diminution of benefits receivable under the FHA Insurance program. The Corporation has further covenanted to take any and all action necessary or desirable to ensure that all such benefits are paid to the Corporation in cash. Following the occurrence of a default, the Corporation will, pursuant to the applicable Supplemental Resolution, assign the defaulted FHA Mortgage Loan to FHA.

The FHA Insurance benefits received in the event of any claim under the FHA Insurance contract will be subject to certain deductions. In addition, processing claims for FHA Insurance benefits involves certain time delays. Deductions in addition to those described below, processing delays and the procedures which must be followed in filing and perfecting a claim for FHA Insurance benefits are described in Appendix F hereto under the caption "The FHA Insurance Program."

The Corporation is entitled to settlement of an FHA insurance claim in cash in an amount equal to 99% of the amount of the principal balance of the defaulted FHA Mortgage Loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the Corporation for the benefit of the related Development and not assigned to FHA. FHA Insurance benefits include the payment of interest at the FHA debenture rate on the amount of the insurance claim from the date of default to the date the claim is paid (or such earlier date by which the mortgagee is required to file the

election to assign the mortgage or complete submissions as described below, if the mortgagee fails to take such action on a timely basis). The interest rate on the FHA debentures is the rate in effect as of the date of the commitment for FHA Insurance or as of the date of initial endorsement of the mortgage note by FHA, whichever is higher. In the case of a monetary default, the date of default is deemed to be the date on which payment on the FHA Mortgage Loans originally should have been received. Since interest is paid one month in arrears on the FHA Mortgage Loans, the Corporation, in the event of a claim for FHA Insurance benefits, will not be reimbursed for interest which has accrued in the previous month and was due and payable on the date of default.

Under FHA regulations, if the Corporation receives proceeds from any policy of casualty insurance, it may not exercise its option under the mortgages related to the FHA Mortgage Loans to use such proceeds for either rebuilding the Developments, prepaying the mortgage notes or for any other disposition without FHA's prior written approval. If FHA fails to give its approval to the use of the insurance proceeds within 30 days after written request by the Corporation, the Corporation may use or apply the funds for the purposes specified in such mortgages without prior FHA approval.

The failure to maintain adequate casualty insurance on a Development may result in the partial or full loss of the FHA Insurance benefits in the event of damage to or destruction of such Development. FHA Insurance benefits may also be lost for failure to pay required FHA mortgage insurance premiums or failure to provide FHA with required notices. FHA Insurance benefits may also be denied if fraudulent statements were made to FHA by the Corporation or by the Mortgagor with the knowledge of the Corporation.

For additional information regarding the FHA Insurance program, see Appendix F hereto under the caption "The FHA Insurance Program."

Mortgage Loans Not Subject to Supplemental Security

Thirty-one (31) Mortgage Loans under the Program, with an aggregate outstanding Mortgage Loan balance of \$241,673,836, are not secured by supplemental security such as FHA Insurance, SONYMA Insurance or GNMA Securities as of May 31, 1998. In addition, as of May 31, 1998 the nine (9) Mortgage Loans expected to be partially financed with the proceeds of the 1998 Series A Bonds, the twenty-nine (29) Mortgage Loans expected to be partially financed with the remaining proceeds of the 1997 Series C Bonds and the seven (7) Mortgage Loans expected to be financed with the proceeds of the 1997 Series B Bonds, which Mortgage Loans are expected to be in an aggregate amount of \$99,239,982, will not be secured by such supplemental security. Each of such Mortgage Loans is evidenced by a mortgage note to the Corporation and secured by a first mortgage lien on a Development. In the event of a default on such Mortgage Loans, such mortgage liens would likely be the sole security for repayment of such Mortgage Loans (see "Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures" below).

As of May 31, 1998, four (4) Developments under the Program had Mortgage Loans with individual outstanding mortgage loan balances exceeding 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the Program (see Appendix E-1 hereto). Two of these Developments, Ruppert/Yorkville and Waterside, are not secured by supplemental security such as FHA Insurance, SONYMA Insurance or GNMA Mortgage-Backed Securities, and are not subsidized through subsidy programs such as the Section 8, Section 236, PLP, HoDAG, GML Article 16 or New HOP programs, or HAC. The Mortgage Loans for the other two Developments, Linden Plaza and Washington Plaza/Independence Plaza, are subsidized through the Section 236 program (see "The Section 236

Program" below, and Appendix E-1 and Appendix F hereto). With respect to Waterside, the Mortgage is a leasehold mortgage on City-owned property. HPD is the supervising agency of the Linden Plaza, Washington Plaza/Independence Plaza, Ruppert/Yorkville and Waterside Developments, which are regulated pursuant to the Mitchell-Lama Law. See Appendix E-1 and Appendix F hereto.

The Section 8 Program

With respect to certain Developments, the Corporation or HPD, as the administrator under the HAP Contract (the "Administrator") and the Mortgagor have entered into a HAP Contract approved by HUD pursuant to which the Mortgagor receives subsidy payments on behalf of low income tenants under the housing assistance payments program authorized by Section 8 of the 1937 Housing Act (the "Section 8 Developments"). The housing assistance payments are project-based, i.e. such payments remain available for each Section 8 Development so long as the owner is in compliance with the HAP Contract. Generally, this project-based variant of the Section 8 program is no longer funded by HUD for new developments, although subsidies continue as required by contract for the Section 8 Developments.

The Section 8 program is administered by HUD and authorizes subsidy payments to the owners of qualified housing for the benefit of lower income families (defined generally as families whose incomes do not exceed 80% of the median income for the area as determined by HUD) and very low income families (defined generally as families whose incomes do not exceed 50% of the median income for the area as defined by HUD). The housing assistance payments generally represent the difference between the "contract rents" on all eligible units in a development, as approved by HUD from time to time, and the eligible tenant's contribution, which is generally 30% of such tenant's income as adjusted for family size, income and expenses. The housing assistance payments made by HUD, together with any tenants' rental payments, are available to the owner to pay debt service on the mortgage for the development, operating costs for such development, and except in the case of owners organized as nonprofit entities, a return on the owner's initial equity in the development.

The HAP Contracts for all but one of the Section 8 Developments expire prior to the respective maturity dates of the related Mortgage Loans which are in each case FHA insured. Since payments received under the HAP Contracts constitute a primary source of revenues for the related Developments, the expiration of the HAP Contracts (without renewal or replacement) would have a material adverse impact on the ability of the related Developments to generate revenues sufficient to pay the principal of and interest on the related Mortgage Loans. There can be no assurance that the HAP Contracts will be renewed or replaced and HUD has repeatedly stated its intention not to provide long-term renewals of HAP Contracts. Legislation has recently been enacted that will make fundamental changes with respect to the renewal of Section 8 contracts. See "Certain Factors Affecting the Mortgage Loans—Section 8 Legislation" below. In the event of the expiration of one or more of the HAP Contracts (without renewal or replacement), there is a likelihood of a default on one or more of the related FHA Mortgage Loans and the assignment of such FHA Mortgage Loan(s) by the Corporation to FHA for FHA Insurance benefits. Upon receipt of such FHA Insurance benefits, the Corporation may elect to redeem an allocable portion of the Bonds. See "Certain Factors Affecting the Mortgage Loans" below. See Appendix E-1 hereto for the date of expiration of the HAP Contracts.

The Corporation is the Administrator under all but three of the HAP Contracts for the Section 8 Developments; HPD is the Administrator for the remaining three Developments subsidized under the Section 8 moderate rehabilitation program. If HUD determines that the Administrator has failed to fulfill its obligations under the Section 8 program, HUD may, after notice to the Administrator giving it a reasonable opportunity to take corrective action, require that the Administrator assign to it all rights under

the HAP Contract. The Corporation has, to date, never been notified by HUD that it has failed to fulfill its obligations with respect to any of the Developments.

For additional information regarding the Section 8 program, see "Certain Factors Affecting the Mortgage Loans—Section 8 Legislation" below and Appendix F hereto under the caption "The Section 8 Program."

The Section 236 Program

Pursuant to Section 236(b) of the National Housing Act ("Section 236"), the Secretary of HUD (the "Secretary") entered into interest reduction payment contracts ("Section 236 Contracts") to make periodic interest reduction payments to the Corporation on behalf of the Mortgageors of the Section 236 Developments which were designed for occupancy by persons and families of low income. HUD's interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal and interest which a Mortgageor is obligated to pay under its Mortgage Loan and the monthly payment for principal and interest which a Mortgageor would be obligated to pay if its Mortgage Loan were to bear interest at the rate of one per centum (1%) per annum. Under Section 236, interest reduction payments (the "HUD Payments") with respect to a Section 236 Development shall be made only during the period that such Development is operated as a rental or cooperative housing project.

HUD is obligated to make HUD Payments under a Section 236 Contract and may not terminate or reduce HUD Payments under a Section 236 Contract, except under the circumstances described in Appendix F hereto under the caption "The Section 236 Program," including, but not limited to, certain foreclosure actions instituted by the Corporation (see "Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy" below and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans"). If HUD Payments are terminated, the Secretary may reinstate them at his discretion pursuant to such additional requirements as the Secretary may prescribe. A Section 236 Contract terminates upon payment in full of the Mortgage Loan and may be terminated at the option of, and upon written notice from, the Secretary after the expiration of one year from the date of the termination of HUD Payments, unless such payments have been reinstated. **In the event HUD were to terminate HUD Payments in respect of a Mortgage Loan secured by a Section 236 Contract (a "Section 236 Mortgage Loan"), such terminated HUD Payments would not be available to pay debt service on such Section 236 Mortgage Loan, which could result in a default on such Mortgage Loan. The Section 236 Mortgage Loans do not benefit from FHA Insurance.**

Each Section 236 Contract provides that the Mortgageor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units ("Excess Income Payments"). Prior to the enactment of the Balanced Budget Downpayment Act II, Pub. L. 104-134 (the "Fiscal Year 1996 Appropriations Act") and HUD's Fiscal Year 1997 Appropriations Act, Pub. L. 104-204 (the "Fiscal Year 1997 Appropriations Act"), mortgageors were permitted to calculate the amount of Excess Income Payments payable to HUD on a project-wide basis, which enabled mortgageors to use Excess Income Payments to offset collection losses from nonpaying tenants. Pursuant to subsection (g) of Section 236, as amended by the Fiscal Year 1996 Appropriations Act and the Fiscal Year 1997 Appropriations Act, Excess Income Payments must be remitted to HUD, subsequent to the implementation date determined by HUD, on a unit-by-unit basis, thus precluding the ability of mortgageors to use such Excess Income Payments to offset collection losses and potentially reducing the income available to the projects. On February 26, 1998 HUD issued a notice implementing this standard, and HUD has previously stated that

it would implement strict enforcement actions against an owner of a project who does not remit excess rental amounts (see Appendix F hereto under the caption "The Section 236 Program—Excess Income").

As a result of this legislative change, all of the Mortgagors of the Section 236 Developments will be required to remit a greater amount of Excess Income Payments to HUD. Based solely on a review of the most recent information submitted to it by the Mortgagors of the Section 236 Developments, the Corporation believes that such Mortgagors are current on the Excess Income Payments due to HUD. No assurance can be given as to the impact of the revised Section 236(g) in the current or any future fiscal year on the ability of the Mortgagors of the Section 236 Developments to cover operating expenses and debt service on their respective Section 236 Mortgage Loans without requiring an increase in rents after Excess Income Payments are remitted to HUD.

Each Mortgagor has covenanted in the Section 236 Contract to limit admission to the subsidized dwelling units in the Section 236 Development to those families whose incomes do not exceed the applicable limits approved by the Corporation or the Secretary, with the exception of those tenants who agree to pay fair market rent. The Secretary has the authority to terminate HUD Payments at any time upon default by a Mortgagor under any of such covenants as well or upon any other default by a Mortgagor or the Corporation under the terms and conditions of the Section 236 Contract.

Each Mortgagor covenanted in the applicable Section 236 Mortgage Loan documents not to prepay such Mortgage Loan prior to 20 years from the date the Section 236 Development was occupied. Each such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date (see "Appendix E-3—Mortgage Loan Prepayment Provisions— Category 10"). Based on the Section 236 Developments' certificates of occupancy, the period during which prepayment is prohibited under the Section 236 Mortgage Loans has ended. Therefore, owners of projects assisted under Section 236 may prepay their mortgage loans, subject to compliance with certain tenant protection requirements and, where applicable, the approval of the mortgagee. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than the 1998 Series B Bonds) at any time.

Each Section 236 Development was constructed and is operated as a limited-profit housing project under the Mitchell-Lama Law. See "The Mitchell-Lama Program" below. For additional information regarding the Section 236 program, see Appendix F hereto under the caption "The Section 236 Program."

The Mitchell-Lama Program

The Mitchell-Lama program was created to facilitate the construction and continued operation of affordable moderate and middle income rental and cooperative housing in the State of New York. Many of the Corporation's projects, including the Section 236 Developments and the Unsubsidized Developments, and projects financed under the Corporation's Section 223(f) Refinancing Program (see Section I(D) of "Appendix C—Other Activities of the Corporation"), are regulated under the Mitchell-Lama program. Each rental project in the Mitchell-Lama program was constructed and is operated as a limited-profit housing project in accordance with the Mitchell-Lama Law.

HPD has supervisory authority over the Developments in the Mitchell-Lama program. HPD regulates such Developments' rental procedures and tenant income limits. HPD oversees the renting of vacant units including the establishment of waiting lists and the advertising process relating thereto. HPD approves the admission of new tenants as well as the transfer of existing tenants to other units in a regulated Development. HPD also verifies initial and annual income certifications submitted by tenants to ensure that the tenant income requirements of the Mitchell-Lama program are maintained. Tenants with

incomes in excess of Mitchell-Lama program income requirements are required to pay rent surcharges to such Development's owners. HPD conducts a periodic physical inspection of the common areas of the regulated Developments in order to assess property maintenance levels.

The Act empowers the Corporation, and the General Resolution and the Fifth Supplemental Resolution require the Corporation (whenever it shall find that the maximum rentals, which are charged tenants of the dwellings in any regulated Development, in whole or in part, shall not be sufficient together with all other income of the Mortgagor to meet within reasonable limits all necessary payments to be made by the Mortgagor of all expenses, including fixed charges, sinking funds, reserves and dividends) to request the Mortgagor to make application to HPD to vary such rentals so as to secure sufficient income, and upon the Mortgagor's failure to do so within thirty (30) days after the receipt of written request from the Corporation, to request HPD to take action upon HPD's own motion so to vary such rental rate, and upon failure of HPD either upon application by the Mortgagor or upon its own motion so to vary such rental rate within sixty (60) days after receipt of written request from the Corporation to do so, to vary such rental rate by action of the Corporation. Any such rental increases in Developments benefitting from the Section 236 program shall also be subject to the approval of HUD. The Corporation has only taken such actions relating to rental increases with respect to one (1) Development, which was done in 1978.

The Mitchell-Lama Law permits the Mortgagor to prepay the Mortgage Loan and the Development to be released from HPD regulation after twenty years from the date of initial occupancy if certain procedural steps are followed. Upon such prepayment, all real estate tax exemptions and Section 236 program benefits, if applicable, would terminate. Each Mortgagor covenanted in the applicable Mortgage Loan for each Unsubsidized Development not to prepay such Mortgage Loan prior to 20 years from the date the Development was occupied; however, such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date (see Appendix E-3 hereto under the captions "Category 11" and "Category 12"). Based on the Unsubsidized Developments' certificates of occupancy, the period during which prepayment is prohibited under the Mortgage Loans for the Unsubsidized Developments has ended. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than the 1998 Series B Bonds) at any time.

For additional information regarding the Mitchell-Lama program, see Appendix F hereto under the caption "The Mitchell-Lama Program."

Certain Factors Affecting the Mortgage Loans

Scheduled Payments of Principal and Interest. The ability of the Corporation to pay the principal or redemption price of and interest on the Bonds is dependent on the Revenues derived from the assets pledged to secure the Bonds, including the Mortgage Loans, and with respect to such Mortgage Loans, the full and timely receipt of subsidy payments, if any, and the proceeds under the applicable supplemental security program, if any, in the event of a default on a Mortgage Loan. The ability of each Mortgagor to make the required payments under its Mortgage Loan is and will be affected by a variety of factors, including the maintenance of a sufficient level of occupancy, the maintenance of the physical condition of its Development, the level of operating expenses, sound management of its Development, timely receipt of subsidy payments, as applicable, the ability to achieve and maintain rents sufficient to cover payments under such Mortgage Loan and operating expenses (including taxes, utility rates and maintenance costs), any changes in the amount of subsidy payments, if any, changes in applicable laws and governmental regulations and the financial condition of the Mortgagor. In addition, the continued feasibility of a Development may depend in part upon general economic conditions and other factors in the surrounding area of a Development. Accordingly, in the event of the occurrence of substantial increases in operating

costs without corresponding increases in rent levels on a timely basis or substantial reductions in occupancy or a reduction, loss or termination of subsidy payments, there may be a default with regard to one or more of the Mortgage Loans. In the event of any such default, the Corporation is required to apply for payment of proceeds under the applicable supplemental security program, if any, due with regard to any such Mortgage Loan. In the event of any such default where such Mortgage Loan is not secured by supplemental security such as FHA Insurance, SONYMA Insurance or GNMA Mortgage-Backed Securities, such mortgage lien would likely be the sole security for repayment of such Mortgage Loan (see "New York Foreclosure Procedures and Bankruptcy—New York Foreclosure Procedures" below and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans"). Such proceeds, when received, together with other monies available under or pursuant to the General Resolution may be applied to redeem an allocable portion of the Bonds; provided, however, that (i) the only proceeds which may be applied to redeem the 1998 Series B Bonds pursuant to a special redemption from Recoveries of Principal are those derived from the 1998 Series B Mortgage Loan, (ii) no Series other than the 1998 Series B Bonds may be redeemed pursuant to a special redemption from Recoveries of Principal from any such proceeds derived from the 1998 Series B Mortgage Loan, and (iii) Recoveries of Principal derived from or with respect to the 1998 Series B Mortgage Loan or the 1998 Series B Development shall only be deposited in the Redemption Account and may not be deposited in the Bond Proceeds Account or the Revenue Account. See "DESCRIPTION OF THE 1998 SERIES B BONDS—Redemption Provisions—Special Redemption from Recoveries of Principal." For a discussion of supplemental security, subsidy and Mitchell-Lama programs, see Appendix F hereto.

Prepayments of Principal. The Corporation may receive amounts relating to the principal of the Mortgage Loans financed with the proceeds of the Bonds prior to the scheduled due date of such principal. As of June 1, 1998, principal prepayments are permitted: (i) at the option of the applicable Mortgagor with respect to thirty (30) Mortgage Loans with an aggregate outstanding principal balance as of May 31, 1998 of \$340,955,194 and (ii) at the option of the applicable Mortgagor with the approval of FHA and/or the Corporation with respect to thirteen (13) Mortgage Loans with an aggregate outstanding principal balance as of May 31, 1998 of \$54,583,744. Subsequent to May 31, 1998, two (2) Mortgage Loans requiring prepayment approval of FHA and the Corporation with an aggregate outstanding principal balance as of May 31, 1998 of \$10,153,116 were prepaid in full. In addition, subsequent to May 31, 1998, the Mortgagors of certain Developments have expressed an intention to prepay their respective Mortgage Loans (see Appendix E-1 hereto). Optional prepayments of principal with respect to the remaining Mortgage Loans financed under the Program are not currently permitted to be made by the applicable Mortgagor. In addition, all of the Mortgage Loans are subject to prepayment of principal in whole or in part from proceeds of insurance or condemnation. Prepayments of principal may be subject to other terms and conditions, including the payment of penalties and premiums. There may be certain other restrictions outside the Mortgage Loan documents that limit the ability of the applicable Mortgagor to prepay.

From time to time the Corporation has received inquiries or expressions of interest from Mortgagors regarding the possible prepayment or refinancing of their respective Mortgage Loans. There can be no assurance as to whether these or other Mortgagors will prepay or refinance their respective Mortgage Loans. With respect to FHA insured Mortgage Loans that are subject to prepayment at the option of the applicable Mortgagor, the Mortgagor may be able to prepay its Mortgage Loan through the use of refinancing under Section 223(a)(7) of the National Housing Act, which authorizes the insurance of mortgage loans to refinance FHA insured mortgage loans. With respect to one of the Developments under the Program with an outstanding Mortgage Loan balance exceeding 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the Program, Ruppert/Yorkville, the Corporation has been advised by HPD that the Mortgagor of this Development intends to prepay its Mortgage Loan.

Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than 1998 Series B Bonds) at any time.

For a more detailed discussion of the prepayment terms and conditions for all of the outstanding Mortgage Loans under the Program, see Appendix E-3 hereto which sets forth eighteen (18) categories of prepayment provisions. The expected prepayment features of the 1998 Series B Mortgage Loan are described in Category 18. Any prepayment premium or penalty described in Appendix E-3 hereto (except for the premium described in Category 9 and Category 18) shall not constitute a Pledged Receipt or Recovery of Principal.

Under the General Resolution, advance payments of amounts to become due pursuant to a Mortgage Loan, including those made at the option of a Mortgagor, shall be deposited in the Redemption Account. Unless specifically directed otherwise by written instructions of an Authorized Officer of the Corporation and accompanied by a Cash Flow Statement, any monies in the Redemption Account resulting from such Recoveries of Principal shall be applied to the purchase or redemption of Bonds of the Series issued to finance the Mortgage Loans which gave rise to the Recoveries of Principal.

Notwithstanding the preceding paragraph, Recoveries of Principal are to be deposited in the Redemption Account and used to purchase or redeem Bonds unless the Corporation files a Cash Flow Statement with the Trustee, in which case the Corporation may deposit such Recoveries of Principal in the Bond Proceeds Account or the Revenue Account in lieu of applying such monies to purchase or redeem Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Bond Proceeds Account" and "—Revenue Account" with respect to the right of the Corporation to apply prepayments of the Mortgage Loans for purposes other than the purchase or redemption of Bonds and the right of the Corporation to withdraw surplus revenues in the Revenue Account from the pledge and lien of the General Resolution. However, (i) the only Recoveries of Principal which may be applied to redeem 1998 Series B Bonds pursuant to a special redemption from Recoveries of Principal are those derived from the 1998 Series B Mortgage Loan, (ii) no Series other than the 1998 Series B Bonds may be redeemed pursuant to a special redemption from Recoveries of Principal with Recoveries of Principal derived from the 1998 Series B Mortgage Loan, and (iii) Recoveries of Principal derived from or with respect to the 1998 Series B Mortgage Loan or the 1998 Series B Development shall only be deposited in the Redemption Account and may not be deposited in the Bond Proceeds Account or the Revenue Account. See also "DESCRIPTION OF THE 1998 SERIES B BONDS—Redemption Provisions—Special Redemption from Recoveries of Principal."

Section 8 Legislation. In recent years there have been numerous proposals and pronouncements from members of Congress, the Clinton Administration and HUD officials which address the future of HUD and the various programs operating pursuant to Section 8 of the 1937 Housing Act. The primary subject of these proposals and pronouncements have been projects, such as the Section 8 Developments, which have FHA insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAP Contracts with substantially shorter terms. Efforts to address this subject are often referred to, generally and without specific import, as "Portfolio Reengineering" or "Mark to Market."

After a series of interim legislative acts and demonstration programs, a generally applicable Mark to Market program was established by the "Multifamily Assisted Housing Reform and Affordability Act of 1997" (the "1997 Act"), enacted as part of HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65. Under the new Mark to Market program, beginning in fiscal year 1999, many FHA-insured Section 8 projects with expiring HAP Contracts and above-market rents will be eligible for restructuring plans and, upon restructuring, will receive continuing Section 8 assistance. These restructuring plans may include

partial prepayment of mortgage debt intended to reduce Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance, and in certain cases is designed to result in a change from "project-based" to "tenant-based" Section 8 payments. The 1997 Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner.

The 1997 Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 projects for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. It is premature at this time to attempt to predict how these particular provisions will be implemented and how these provisions will affect the Section 8 Developments. Contract rents under any Mark to Market legislation, including the 1997 Act, may be significantly lower than the current Section 8 contract rents in the Section 8 Developments, and the corresponding reduction in housing assistance payments for such Developments would materially adversely affect the ability of the Mortgagors of such Developments to pay the currently scheduled principal and interest on the related Mortgage Loans. Any termination or expiration of HAP Contracts without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a Mortgagor, poor condition of the project or other causes) would also have a material adverse impact on the ability of the related Section 8 Developments to generate revenues sufficient to pay the currently scheduled principal of and interest on the related Mortgage Loans.

A reduction in Section 8 contract rents or the termination or expiration of the HAP Contract (without renewal or replacement with other project-based assistance), as described in the previous paragraphs, could thus result in a default under the Mortgage Loan for the Development and claims for insurance benefits under the applicable FHA or SONYMA mortgage insurance program. All but one of the Section 8 Developments are financed with FHA Mortgage Loans; the remaining Section 8 Development is financed with a Mortgage Loan insured by SONYMA. Nonetheless, if any or all of such Mortgage Loans were to default, FHA and/or SONYMA insurance benefits received by the Corporation, together with monies held in the Accounts under or pursuant to the General Resolution, including the Debt Service Reserve Account, are expected to be sufficient to redeem, pursuant to a special redemption from Recoveries of Principal, an allocable portion of the Bonds (other than the 1998 Series B Bonds) at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued to the date of redemption in the event the Corporation is required or elects to redeem Bonds with such funds. Moreover, in the event of such partial redemption, sufficient monies are expected to be available from the remaining Mortgage Loans and the Debt Service Reserve Account (and earnings thereon) to continue to make timely payments of scheduled principal of and interest on the remaining Outstanding Bonds. The restructuring plans established by the 1997 Act referred to above, as a general matter, contemplate restructuring FHA insured mortgage loans on certain Section 8 projects through a nondefault partial prepayment of such loans. As noted above, it is premature at this time to attempt to predict whether the Section 8 Developments will be subject to this form of restructuring under the 1997 Act. However, if they were to be subject to nondefault partial prepayment or similar forgiveness or write-down of mortgage debt, such restructuring of these Mortgage Loans could result in the special redemption from Recoveries of Principal of an allocable portion of the Bonds (other than the 1998 Series B Bonds) at any time with the proceeds the Corporation receives from any such partial prepayment, forgiveness or write-down. The Corporation is not obligated to redeem any Bonds if it files written instructions to the Trustee, accompanied by a Cash Flow Statement. See Appendix E-1 hereto for a description of the Mortgage Loans and the expiration

dates of the HAP Contracts. See also "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates."

On May 14, 1997, a bill passed the United States House of Representatives (H.R. 2) which, if enacted into law, would repeal the 1937 Housing Act. The bill as passed by the House provides, however, that notwithstanding this repeal any obligation of HUD made under authority of the 1937 Housing Act shall continue to be governed by such act (except that HUD may make a new obligation only to protect the financial interests of the United States or for amendment, extension or renewal of existing obligations) and that amounts appropriated under the 1937 Housing Act shall remain available for any existing obligation in accordance with the terms under which they were made available. The Corporation believes that, if enacted in its current form, H.R. 2 would not have a material adverse effect on the Section 8 Developments. The Corporation cannot predict whether H.R. 2 will be enacted into law or, if enacted, the extent to which it will remain in its current form.

New York Foreclosure Procedures and Bankruptcy. Below are descriptions of current foreclosure procedures in New York State and current bankruptcy provisions for mortgage loans generally. Such descriptions are relevant for Mortgage Loans under the Program not fully secured by supplemental security.

New York Foreclosure Procedures. In order to recover the debt due on a defaulted mortgage loan, the holder of the mortgage loan may either commence an action on the mortgage debt or commence an action to foreclose the mortgage. New York law restricts the ability of the holder of a mortgage loan to simultaneously bring an action to recover the mortgage debt and foreclose the mortgage. For purposes of these restrictions, actions to recover the mortgage debt include actions against the party primarily liable on the mortgage debt, actions against any guarantor of the mortgage debt and actions on insurance policies insuring the mortgaged premises. If an election is made to commence an action to foreclose the mortgage, no other action on the mortgage debt may be commenced to recover any part of the mortgage debt without leave of court. If an election is made to commence an action on the mortgage debt, where final judgment has been rendered in such an action, an action may not be commenced to foreclose the mortgage unless the sheriff has been issued an execution against the property of the defendant, which has been returned wholly or partially unsatisfied. In addition, there is New York case law indicating that if an action is commenced on the mortgage debt where final judgment has not been rendered and a subsequent action is commenced to foreclose the mortgage, then the action on the mortgage debt must be stayed or discontinued to prevent the mortgagee from pursuing both actions simultaneously.

In addition to bringing an action to foreclose a mortgage, New York law provides the alternative of foreclosure by advertisement. Foreclosure by advertisement is available only where the mortgage grants the power to foreclose by advertisement, and, as is the case with foreclosure by action, there are restrictions on the ability of the holder of the mortgage to simultaneously foreclose by advertisement and bring an action on the debt secured by the mortgage. Although foreclosure by advertisement is authorized by statute, it is currently not used in New York as a matter of practice because of, among other things, difficulties in complying with the statute's technical requirements and questions as to the constitutionality of the process.

Where a foreclosure action is brought, every person having an estate or interest in possession or otherwise in the property whose interest is claimed to be subject and subordinate to the mortgage must be made a party defendant to the action in order to have its interest in the property extinguished. At least 20 days before a final judgment directing a sale is rendered, the mortgagee must

file, in the clerk's office for the county where the mortgaged property is located, a notice of the pendency of the action. Judicial foreclosure in New York is a lengthy process, as judicial intervention is required at all stages, including but not limited to (1) the appointment of a referee to compute the amount due, (2) the appointment of a receiver to operate the property during the pendency of the action, (3) the confirmation of the referee's oath and report, (4) the issuance of the judgment of foreclosure and sale, (5) the confirmation of the sale and (6) the issuance of a deficiency judgment and/or rights to surplus monies. If during the pendency of the action the mortgagor pays into court the amount due for principal and interest and the costs of the action together with the expenses of the proceedings to sell, if any, the court will (i) dismiss the complaint without costs against the mortgagee if the payment is made before judgment directing the sale or (ii) stay all proceedings upon judgment if the payment is made after judgment directing sale but before sale.

Where the mortgage debt remains partly unsatisfied after the sale of the property, the court, upon application, may award the mortgagee a deficiency judgment for the unsatisfied portion of the mortgage debt, or as much thereof as the court may deem just and equitable, against a mortgagor who has appeared or has been personally served in the action. Prior to entering a deficiency judgment the court determines the fair and reasonable market value of the mortgaged premises as of the date such premises were bid in at auction or such nearest earlier date as there shall have been any market value thereof. In calculating the deficiency judgment, the court will reduce the amount to which the mortgagee is entitled by the higher of the sale price of the mortgaged property and the fair market value of the mortgaged property as determined by the court.

The mortgagee may also, at its discretion, negotiate with the delinquent mortgagor to offer a deed in lieu of foreclosure to the mortgagee, where appropriate. In some situations this would allow the mortgagee to reduce the cost of, and the time involved in, acquiring the property.

Most of the Mortgage Loans under the Program are non-recourse to the Mortgagor. Therefore, the Corporation may only have limited rights to pursue the enforcement of an action on the debt. Consequently, with respect to such Mortgage Loans, the above provisions relating to an action on the mortgage debt, as opposed to a foreclosure action, are not applicable.

The Section 236 Contracts for the Section 236 Developments at Linden Plaza and Ocean Park provide that the Secretary may terminate the HUD Payments under the Section 236 Contract if an action of foreclosure is instituted by the Corporation unless the foreclosure proceeding is instituted by the Corporation subject to the continuing lien of the respective Mortgage, and such Development is acquired by a purchaser eligible to be an owner under Section 236. The Section 236 Contract for the Washington Plaza/Independence Plaza Development provides that HUD Payments under the Section 236 Contract shall terminate if said Development is acquired by the Corporation or by any ineligible owner, and also provides that the Secretary may terminate HUD Payments if an action of foreclosure is instituted, unless the Secretary approves a plan providing for continuity of eligibility of said Development for receiving HUD Payments. It may not be possible, under New York foreclosure procedures to complete a foreclosure sale subject to the continuing lien of the mortgage being foreclosed. Under Pub. L. 98-473, enacted in 1984, contract authority which would otherwise be subject to recapture by HUD at the time of termination of a contract for Section 236 interest reduction payments as a result of a foreclosure of the mortgage loan on a development shall remain available for such development for the balance of the contract term, and the Secretary is directed to offer to execute new Section 236 contracts with the new owners of such projects, subject to satisfaction of statutory eligibility requirements. On this basis the Corporation believes that, notwithstanding the language of the Section 236 Contracts, in the event of a foreclosure of a Section 236 Mortgage Loan the Secretary would enter into a contract for Section 236 interest reduction payments with

the new owner, subject to the satisfaction of statutory eligibility requirements and the availability of appropriations.

For a description of provisions regarding enforcement and foreclosure of the Mortgage Loans financed through the issuance of the 1996 Series A Bonds (the "1996 Series A Mortgage Loans") under the General Resolution and the Fifth Supplemental Resolution, and the 1998 Series B Mortgage Loan under the Resolutions, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans."

Bankruptcy. If a petition for relief under federal bankruptcy law were filed voluntarily by a mortgagor, or involuntarily against a mortgagor by its creditors, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceedings, including without limitation, foreclosure proceedings, against such mortgagor and its property. If a bankruptcy court so ordered, the mortgagor's property, including its revenues, could be used for the benefit of the mortgagor, despite the rights granted the mortgagee or a trustee. A bankruptcy court also has the power to invalidate certain provisions of the mortgage that make the initiation of bankruptcy and related proceedings by or against the mortgagor an event of default thereunder.

In addition, if a bankruptcy court concludes that a mortgagee is "adequately protected," it might (A) substitute other security for the property presently pledged and (B) subordinate the lien of the mortgagee or a trustee to (i) claims by persons supplying goods and services to the mortgagor after commencement of such bankruptcy proceedings, (ii) the administrative expenses of the bankruptcy proceedings and (iii) a lien granted a lender providing funds to the mortgagor during the pendency of the bankruptcy case.

In bankruptcy proceedings initiated by the filing of a petition under Chapter 11 of the United States Bankruptcy Code, a mortgagor or another party-in-interest could elect to file a plan of reorganization which seeks to modify the rights of creditors generally, or any class of creditors, including secured creditors. In the event a mortgagor files under Chapter 11, the mortgagor may seek to modify the terms of the mortgage note and the mortgage in a plan of reorganization. In a reorganization case, a mortgagee holds a secured claim equal to the lesser of the value of the mortgaged premises or the debt. If the adjusted value of the premises exceeds the pre-petition debt, then the mortgagee has the right to post-petition interest to the extent of such excess. If the adjusted value is less, then the mortgagee is not entitled to interest and the difference (or deficiency) will be treated as an unsecured claim. With respect to the mortgagee's secured claim, if the debtor intends to retain the premises, the debtor will generally propose to treat the mortgage as unimpaired by curing any defaults and reinstating the terms of the mortgage. Alternatively, the debtor may seek to alter the terms, however, the mortgagee is entitled to retain its lien under a plan and must receive deferred cash payments totaling the amount of the claim with a present value not less than the value of the mortgaged premises. If the premises are to be sold by the debtor, the mortgagee can bid at the bankruptcy court sale and offset its claim against the selling price at such sale.

DESCRIPTION OF THE 1998 SERIES B BONDS

General

The 1998 Series B Bonds initially issued will be dated September 1, 1998 and will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the 1998 Series B Bonds will accrue from their dated date and be payable on May 1 and November 1 in each year, commencing May 1, 1999, at the rates per annum set forth on the cover page of this Official Statement. Interest on the 1998 Series B Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The 1998 Series B Bonds will mature on the dates and in the amounts set forth on the cover page of this Official Statement. IBJ Schroder Bank & Trust Company is the Trustee for the 1998 Series B Bonds.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the 1998 Series B Bonds. The 1998 Series B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 1998 Series B Bond will be issued for each maturity of the 1998 Series B Bonds, totaling in the aggregate the principal amount of the 1998 Series B Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1998 Series B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998 Series B Bonds on DTC's records. The ownership interest of each actual purchaser of each 1998 Series B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in 1998 Series B Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 1998 Series B Bonds, except in the event that use of the book-entry system for the 1998 Series B Bonds is discontinued.

To facilitate subsequent transfers, all 1998 Series B Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1998 Series B Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1998 Series B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1998 Series B Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the 1998 Series B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 1998 Series B Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1998 Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 1998 Series B Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1998 Series B Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 1998 Series B Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 1998 Series B Bond certificates will be printed and delivered.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC Participants.

So long as Cede & Co. is the registered owner of the 1998 Series B Bonds, as nominee for DTC, references herein to Bondholders or registered owners of 1998 Series B Bonds (other than under the

caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

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

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 1998 SERIES B BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 1998 SERIES B BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 1998 SERIES B BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 1998 SERIES B BONDS; OR (VI) ANY OTHER MATTER.

Redemption Provisions

The 1998 Series B Bonds are subject to special redemption, sinking fund redemption and optional redemption prior to maturity, all as described below.

Special Redemption from Recoveries of Principal. The 1998 Series B Bonds are subject to redemption, in whole or in part, at any time prior to maturity at a Redemption Price equal to 100% of the principal amount of the 1998 Series B Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date from amounts representing: (a) Recoveries of Principal deposited in the Redemption Account and resulting from (i) proceeds from the acceleration of payments due under the 1998 Series B Mortgage Loan or other remedial proceedings taken in the event of a default thereon, including proceeds of the sale of the Acquired Project, (ii) amounts obtained under a letter of credit or other credit enhancement securing the 1998 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement (other than with respect to scheduled principal and/or interest payments required by the 1998 Series B Mortgage Loan) in the event of a default on the 1998 Series B Mortgage Loan, (iii) proceeds of insurance awards resulting from damage or destruction of the Development financed by the 1998 Series B Mortgage Loan which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage, (iv) proceeds of a condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Development financed by the 1998 Series B Mortgage Loan or any portion thereof, which proceeds are required to be applied to payment of the applicable Mortgage Note pursuant to the applicable Mortgage or (v) proceeds of the sale, assignment, endorsement or other disposition of the 1998 Series B Mortgage Loan required pursuant to the General Resolution in the event of a default under the General Resolution or made when, in the sole judgment of the Corporation, the 1998 Series B Mortgage Loan is in default, including proceeds of

SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, and (b) any other monies made available under the General Resolution in connection with the redemptions described in clause (a).

The 1998 Series B Bonds shall be subject to redemption, in whole or in part, at any time on or after November 1, 2008 from amounts representing (a) Recoveries of Principal deposited in the Redemption Account and resulting from proceeds of an optional prepayment of the 1998 Series B Mortgage Loan by the 1998 Series B Mortgagor, (b) Recoveries of Principal deposited in the Redemption Account and resulting from proceeds of sale, assignment, endorsement or other disposition of the 1998 Series B Mortgage Loan (other than a sale, assignment, endorsement or other disposition required pursuant to the General Resolution or made when, in the sole judgment of the Corporation, the 1998 Series B Mortgage Loan is in default) and (c) any other monies made available under the General Resolution in connection with the redemptions described in clauses (a) and (b), at the following Redemption Prices (expressed as a percentage of the principal amount of such 1998 Series B Bonds to be redeemed) plus accrued interest to the Redemption Date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Prices</u>
November 1, 2008 through October 31, 2009	101.50%
November 1, 2009 through October 31, 2010	100.75
November 1, 2010 and thereafter	100.00

Notwithstanding anything to the contrary contained in the Resolutions, so long as the 1998 Series B Bonds remain Outstanding, (i) the only Series of Bonds that may be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to the 1998 Series B Mortgage Loan or the 1998 Series B Development shall be the 1998 Series B Bonds, (ii) the 1998 Series B Bonds may not be redeemed in accordance with the redemption provisions described above in connection with Recoveries of Principal deposited in the Redemption Account derived from or with respect to any Mortgage Loans or Developments financed in connection with a Series of Bonds other than the 1998 Series B Bonds and (iii) Recoveries of Principal derived from or with respect to the 1998 Series B Mortgage Loan or the 1998 Series B Development shall only be deposited in the Redemption Account and may not be deposited in the Bond Proceeds Account or the Revenue Account.

See "THE PROGRAM—Certain Factors Affecting the Mortgage Loans" and "Appendix E-3—Mortgage Loan Prepayment Provisions" for a description of the prepayment features applicable to the Mortgage Loans.

Special Redemption from Unexpended 1998 Series B Bond Proceeds. The 1998 Series B Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, in an amount not in excess of amounts on deposit in the Bond Proceeds Account representing unexpended proceeds of the 1998 Series B Bonds not used to finance the 1998 Series B Mortgage Loan and any other monies made available under the General Resolution in connection with such redemption, at a Redemption Price equal to 100% of the principal amount of the 1998 Series B Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Sinking Fund Redemption. The 1998 Series B Bonds maturing November 1, 2018 and the 1998 Series B Bonds maturing November 1, 2031 are subject to redemption at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption thereof, from

mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on May 1 and November 1 of each year the principal amount of such 1998 Series B Bonds specified for each of the Redemption Dates shown below:

**1998 SERIES B BONDS
MATURING ON NOVEMBER 1, 2018**

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2012	\$240,000	Nov. 1, 2015	\$285,000
Nov. 1, 2012	245,000	May 1, 2016	295,000
May 1, 2013	255,000	Nov. 1, 2016	305,000
Nov. 1, 2013	260,000	May 1, 2017	315,000
May 1, 2014	270,000	Nov. 1, 2017	320,000
Nov. 1, 2014	270,000	May 1, 2018	330,000
May 1, 2015	285,000	Nov. 1, 2018	335,000 [†]

[†] Stated maturity.

**1998 SERIES B BONDS
MATURING ON NOVEMBER 1, 2031**

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2019	\$345,000	Nov. 1, 2025	\$ 490,000
Nov. 1, 2019	355,000	May 1, 2026	505,000
May 1, 2020	365,000	Nov. 1, 2026	515,000
Nov. 1, 2020	375,000	May 1, 2027	530,000
May 1, 2021	390,000	Nov. 1, 2027	545,000
Nov. 1, 2021	395,000	May 1, 2028	560,000
May 1, 2022	405,000	Nov. 1, 2028	575,000
Nov. 1, 2022	415,000	May 1, 2029	590,000
May 1, 2023	430,000	Nov. 1, 2029	605,000
Nov. 1, 2023	440,000	May 1, 2030	625,000
May 1, 2024	455,000	Nov. 1, 2030	640,000
Nov. 1, 2024	465,000	May 1, 2031	655,000
May 1, 2025	475,000	Nov. 1, 2031	1,390,000 [†]

[†] Stated maturity.

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the 1998 Series B Bonds to be redeemed from such Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase; provided, however, that the purchase of such Bonds may, to the

extent permitted by law, be at prices exceeding the applicable Redemption Price if the Corporation files a Cash Flow Statement with the Trustee as provided in the General Resolution.

Upon the purchase or redemption of any 1998 Series B Bonds for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 1998 Series B Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 1998 Series B Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

Optional Redemption. The 1998 Series B Bonds are also subject to redemption, at the option of the Corporation, in whole or in part, at any time on or after November 1, 2008, at the following Redemption Prices (expressed as a percentage of the principal amount of such 1998 Series B Bonds to be redeemed) plus accrued interest to the Redemption Date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Prices</u>
November 1, 2008 through October 31, 2009	101.50%
November 1, 2009 through October 31, 2010	100.75
November 1, 2010 and thereafter	100.00

Selection of Bonds to be Redeemed. Subject to the redemption requirements set forth in a Supplemental Resolution authorizing a particular Series of Bonds, in the event of a partial redemption of Bonds in connection with Recoveries of Principal, the Series, the maturity or maturities, and the amount thereof, to be so redeemed shall be selected as directed by the Corporation in written instructions filed with the Trustee accompanied by a Cash Flow Statement. In the absence of such direction, (i) Bonds of each Series subject to redemption shall be redeemed in connection with Recoveries of Principal derived from or with respect to the Mortgage Loans financed from or allocated to such Bonds and (ii) Bonds of each maturity within each Series of Bonds subject to redemption shall be redeemed in the proportion that the amount Outstanding of each such maturity bears to the total amount of all Outstanding Bonds of such Series. The Series and maturities of 1998 Series B Bonds to be redeemed in accordance with the optional redemption provisions described above shall be selected as directed by the Corporation. In the event of redemption of less than all the Bonds of the same Series and maturity, the Trustee shall select the Bonds by lot, using such method of selection as it shall deem proper in its sole discretion.

Corporation's Right to Purchase Bonds. The Corporation retains the right to purchase 1998 Series B Bonds, at such times, in such amounts and at such prices as the Corporation shall determine, subject to the provisions of the General Resolution, and, thereby, reduce its obligations, including Sinking Fund Payments, for the 1998 Series B Bonds. See "SECURITY FOR THE BONDS—Cash Flow Statements and Cash Flow Certificates."

Notice of Redemption. When the Trustee receives notice from the Corporation of its election or direction to redeem 1998 Series B Bonds or is otherwise required to redeem the 1998 Series B Bonds, the Trustee will give notice, in the name of the Corporation, of the redemption of such 1998 Series B Bonds. Such notice will specify the Series and maturities of the 1998 Series B Bonds to be redeemed, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. Not less than thirty (30) days before the Redemption Date, the

Trustee is to mail a copy of such notice to the registered owners of any 1998 Series B Bonds, or portions of 1998 Series B Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Interest will not be payable on the 1998 Series B Bonds after the Redemption Date if notice has been given and if sufficient monies have been deposited with the Trustee to pay the principal or applicable Redemption Price of and interest on the 1998 Series B Bonds on such date and all conditions precedent, if any, to such redemption shall have been satisfied.

SECURITY FOR THE BONDS

Pledge of the General Resolution

The General Resolution constitutes a contract among the Corporation, the Trustee and the owners of the Bonds issued thereunder and, except as otherwise provided under the General Resolution or in a Supplemental Resolution authorizing a Series of Bonds, its provisions are for the equal benefit, protection and security of the owners of all such Bonds, each of which, regardless of maturity, is to be of equal rank without preference, priority or distinction. The General Resolution authorizes the issuance of Bonds (the "Subordinate Bonds") having a charge and lien on the Revenues and other assets pledged under the General Resolution subordinate to the charge and lien of the Bonds. Prior to the issuance of any Bonds (other than the Subordinate Bonds), the General Resolution requires that the Trustee be provided with confirmation of the then existing ratings on the Bonds (other than the Subordinate Bonds) by each of the Rating Agencies then rating such Bonds. See "Additional Bonds" below.

The 1998 Series B Bonds are special revenue obligations of the Corporation payable solely from the Revenues and Accounts described below.

Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consist of, among other things, unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, all payments received by the Corporation from or on account of the Mortgage Loans, including scheduled, delinquent and advance payments of principal of and interest on the Mortgage Loans, proceeds from the sale, assignment, endorsement or other disposition of the Mortgage Loans, amounts received on account of the acceleration of payments due under the Mortgage Loans or other remedial proceedings taken in the event of a default thereon, proceeds of any mortgage insurance or credit enhancement with respect to defaulted Mortgage Loans, proceeds of any hazard insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under or pursuant to the General Resolution. Revenues do not, however, include amounts required to be deposited in the Rebate Fund, escrow payments, late charges or administrative, financing, extension, servicing or settlement fees on account of any Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of its right, title and interest in and to the Mortgage Loans and, except as otherwise provided in any Supplemental Resolution authorizing a particular Series of Bonds, of all Accounts established pursuant to the General Resolution (including the investments thereof, if any). Under the General Resolution, the Corporation is not required to subject to the pledge and lien of the General Resolution assets, including mortgage loans, financed by Bonds issued thereunder. In addition, under the General Resolution the Corporation may pledge Accounts created pursuant to a Supplemental Resolution authorizing a particular Series of Bonds solely to the Bonds of such Series or exclude such Accounts from the pledge of the General Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

The foregoing pledges are also subject to the terms and provisions of the General Resolution requiring transfers of amounts to the Rebate Fund and permitting the application of the Revenues and amounts in such Accounts for certain purposes, including financing Mortgage Loans, funding the Debt Service Reserve Account in order to maintain such Account at its required level, paying certain amounts to the Trustee, the Corporation and Credit Facility Providers, if any, and paying certain investment fees, if any. The Corporation is also authorized under the General Resolution to withdraw surplus revenues and any Mortgage Loans, free and clear of the pledge and lien of the General Resolution upon filing a Cash Flow Statement with the Trustee. See "Cash Flow Statements and Cash Flow Certificates" below and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Revenue Account."

Mortgage Loans

Under the General Resolution, the Corporation is authorized to issue Bonds to finance any of its corporate purposes for which the Corporation may issue bonds under the Act or any other applicable law now or hereafter enacted. Such corporate purposes include but are not limited to financing one or more Mortgage Loans. The term Mortgage Loan is defined under the General Resolution as a loan for the Project, evidenced by a note, secured by a Mortgage (which need not create a first lien on such Project) and specified in a Supplemental Resolution as being subject to the lien of the General Resolution. The term Mortgage Loan also includes a participation by the Corporation with another party or parties, public or private, in a loan made to a Mortgagor with respect to a Project, and any instrument evidencing an ownership in any such loan, including, but not limited to, mortgage-backed securities guaranteed by GNMA, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. In addition to Mortgage Loans, the Corporation may finance mortgage loans and other assets that are not subject to the pledge of the General Resolution.

If Mortgage Loans are financed under the General Resolution, such Mortgage Loans may, but are not required to, be subject to supplemental security insuring or securing against Mortgage Loan default losses. Such supplemental security, if any, is required to be specified in the Supplemental Resolution authorizing the related Series of Bonds and may be in the form of, among other things, subsidy or interest rate reduction payments, insurance, a letter of credit, a surety bond or an escrow deposit, any or all of which may be obtained pursuant to one or more programs of the federal government or state or local agencies. Previously, the Corporation relied on the underwriting criteria and expertise of other parties, including HUD, FHA, SONYMA, credit facility providers and/or HPD and, in the case of most of its programs, it has not assumed sole responsibility for the underwriting of mortgage loans financed thereunder or hired personnel exclusively for such purpose. The Corporation, in conjunction with conventional lenders, credit facility providers and/or HPD, has underwritten the Mortgage Loans financed by the 1994 Series A Bonds, the Mortgage Loans financed and to be financed by the 1997 Series B Bonds, the 1997 Series C Bonds and the 1998 Series A Bonds. In the future the Corporation may determine to undertake such responsibility by itself. In the General Resolution, the Corporation has covenanted to retain and employ competent personnel for the purposes of carrying out its powers thereunder. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Application and Disbursement of Bond Proceeds" for a description of the Mortgage Loan requirements under the General Resolution. See "THE PROGRAM—General" and "Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program" for a description of the Mortgage Loans financed under the Program to date.

Except as otherwise provided in a Supplemental Resolution authorizing Bonds, the Corporation shall do all acts and things necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans) and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with

respect to or to maintain any insurance on Mortgage Loans or any subsidy payments in connection with the Projects securing the Mortgage Loans or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loans, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans."

Cash Flow Statements and Cash Flow Certificates

The General Resolution provides that the Corporation shall file with the Trustee a current Cash Flow Statement: (i) whenever any Series of Bonds is issued; (ii) upon purchase or redemption of Bonds of a Series in a manner other than (a) as contemplated in the last Cash Flow Statement filed by the Corporation with the Trustee or (b) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, when such purchases or redemptions are to be made in connection with Recoveries of Principal; (iii) prior to withdrawing monies for payment to the Corporation, pursuant to the General Resolution, free and clear of the pledge and lien of the General Resolution, in an amount in excess of the amounts determined to be available for such purpose in the last Cash Flow Statement filed with the Trustee; (iv) prior to selling Mortgage Loans not in default; (v) prior to the financing of or amending Mortgage Loans to contain terms that would adversely affect the cash flow projections contained in the last Cash Flow Statement filed with the Trustee; (vi) prior to the releasing of any Mortgage Loan from the pledge and lien of the General Resolution; (vii) prior to the application of Recoveries of Principal to any use other than the purchase or redemption of Bonds; (viii) prior to the purchase of Bonds pursuant to certain provisions of the General Resolution at prices in excess of those specified in the General Resolution; or (ix) prior to the application of monies in the Redemption Account resulting from Recoveries of Principal derived from or with respect to any Mortgage Loans to the purchase or redemption of Bonds of a Series other than the Series issued to finance such Mortgage Loans.

In addition, the Corporation shall not take any of the actions described in clauses (ii) through (ix) of the preceding paragraph unless subsequent to such action the amount of monies and Investment Securities held in the Bond Proceeds Account, the Redemption Account, the Revenue Account and the Debt Service Reserve Account (valued at their cost to the Corporation, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, and the outstanding principal balance of Mortgage Loans, together with accrued but unpaid interest thereon, and any other assets, valued at their realizable value, pledged for the payment of the Bonds will exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds; provided, however, that in the event that a Supplemental Resolution authorizing the issuance of a Series of Bonds specifies that, for purposes of the requirements of this paragraph, the Mortgage Loans financed by such Series of Bonds shall be valued at other than their outstanding principal balance, then, with respect to such Mortgage Loans, such other value shall be used in the calculations required by this paragraph. Pursuant to the respective Supplemental Resolutions, and for purposes of the requirements of this paragraph, the current value of the Mortgage Loans with respect to each Series of Bonds as of May 31, 1998 is as follows:

Series of Bonds	Value as a Percentage of Outstanding Principal Balance	Outstanding Principal Balance of Mortgage Loans	Percentage of Total Outstanding Principal Balance of Mortgage Loans
1993 Series A	99%	\$13,049,455	2.55%
1993 Series B	99%	\$201,362,948	39.36%
1994 Series A	100%	\$6,238,007	1.22%
1995 Series A	100%	\$43,984,527*	8.60%
1996 Series A	76%	\$221,218,743	43.24%
1997 Series A	100%	\$11,582,364	2.26%
1997 Series B	71%	\$1,340,065**	0.26%
1997 Series C	77.5%	\$12,877,021***	2.52%
1998 Series A	78%	\$0****	0.00%
1998 Series B	100%	\$0*****	0.00%
TOTAL		\$511,653,131	100.00%

However, with respect to the 1996 Series A Mortgage Loans, and the Mortgage Loans financed and to be financed by the 1997 Series B Bonds, 1997 Series C Bonds and the 1998 Series A Bonds, the Corporation may increase or decrease the foregoing percentage with respect to such Mortgage Loans by furnishing to the Trustee (i) a Certificate of an Authorized Officer specifying such higher or lower percentage and (ii) evidence satisfactory to the Trustee that each Rating Agency shall have approved the use of such higher or lower percentage without such use having an adverse effect on its rating on the Bonds.

* Subsequent to May 31, 1998, Mortgage Loans in the approximate aggregate outstanding amount of \$10.2 million in connection with the issuance of the 1995 Series A Bonds were prepaid in full.

** The Corporation expects to acquire additional Mortgage Loans in the approximate aggregate amount of \$11.6 million in connection with the issuance of the 1997 Series B Bonds.

*** Subsequent to May 31, 1998 through August 17, 1998, the Corporation acquired two (2) Mortgage Loans in the aggregate amount of \$1,513,738 in connection with the issuance of the 1997 Series C Bonds. In addition, the Corporation expects to acquire additional Mortgage Loans in the approximate aggregate amount of \$22.8 million in connection with the issuance of the 1997 Series C Bonds.

**** Subsequent to May 31, 1998 through August 17, 1998, the Corporation acquired one (1) Mortgage Loan in the anticipated amount of \$7,713,000 in connection with the issuance of the 1998 Series A Bonds; as of August 17, 1998, \$657,882 had been advanced under this Mortgage Loan for construction. In addition, subsequent to May 31, 1998 through August 17, 1998, the Corporation acquired one (1) construction Mortgage Loan in the amount of \$17,600,000 in connection with the issuance of the 1998 Series A Bonds; as of August 17, 1998, \$754,217 had been advanced under this Mortgage Loan for construction, the permanent Mortgage Loan amount is anticipated to be \$11,825,000. The Corporation also expects to acquire additional Mortgage Loans in the approximate aggregate amount of \$44.0 million in connection with the issuance of the 1998 Series A Bonds.

***** The Corporation expects to acquire a Mortgage Loan in the approximate aggregate amount of \$20.7 million in connection with the issuance of the 1998 Series B Bonds.

A Cash Flow Statement consists of a statement of an Authorized Officer of the Corporation giving effect to actions proposed to be taken and demonstrating in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding that amounts then expected to be on deposit in the Accounts in each such Bond Year will be at least equal to all amounts required by the General Resolution to be on deposit in the Accounts for the payment of the principal and Redemption Price of and interest on the Bonds and for the funding of the Debt Service Reserve Account to the Debt Service Reserve Account Requirement. However, a Supplemental Resolution may provide that an Account established in such Supplemental Resolution not be taken into account when preparing the Cash Flow Statement. The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions are to be based upon the Corporation's reasonable expectations and must not adversely affect any of the Rating Agencies' ratings on the Bonds. In calculating the amount of interest due in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate, the interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Corporation and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agencies' ratings on the Bonds. Upon filing a Cash Flow Statement with the Trustee, the Corporation is to perform its obligations under the General Resolution in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement. Except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 180 days prior to the date of delivery of such statement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

In lieu of filing a Cash Flow Statement, a Cash Flow Certificate may be filed in order to take the actions described in (1) clause (iii) of the third preceding paragraph or (2) clause (v) of the third preceding paragraph relating to amending Mortgage Loans but only if, in the judgment of the Corporation, such amendments do not materially adversely affect the cash flow projections contained in the last Cash Flow Statement. A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Corporation to the effect of one of the following:

(a) The proposed action is consistent with the assumptions set forth in the latest Cash Flow Statement; or

(b) After giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, amounts expected to be on deposit in the Accounts in each such Bond Year will be at least equal to all amounts required by the General Resolution to be on deposit in such Accounts for the payment of the principal and Redemption Price of and interest on the Bonds, and for the funding of the Debt Service Reserve Account to the Debt Service Resêrve Account Requirement, except that to the extent specified in a Supplemental Resolution, an Account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or

(c) The proposed action will not in and of itself adversely affect the amounts expected to be on deposit in the Accounts in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, except that the Cash Flow Certificate shall not consider any Accounts which a Supplemental Resolution specifies shall not be taken into account in connection with the delivery of a Cash Flow Certificate.

Debt Service Reserve Account

The Corporation is required to establish a Debt Service Reserve Account for the Bonds pursuant to the General Resolution. Under the General Resolution, the Debt Service Reserve Account Requirement is the aggregate of the amounts specified as the Debt Service Reserve Account Requirement for each Series of Bonds in a Supplemental Resolution authorizing the issuance of such Series of Bonds. There is no minimum Debt Service Reserve Account Requirement under the General Resolution. The General Resolution further provides that the Debt Service Reserve Account Requirement for any Series of Bonds may be funded, in whole or in part, through Cash Equivalents if so provided in a Supplemental Resolution authorizing such Series. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Debt Service Reserve Account."

Under the terms of the 1998 Series B Supplemental Resolution, the Debt Service Reserve Account Requirement with respect to the 1998 Series B Bonds shall equal, as of any date of calculation, the maximum amount of Debt Service of the 1998 Series B Bonds for the current or any future semiannual period excluding the final scheduled semiannual period and excluding that amount of interest payable on the 1998 Series B Bonds which is payable as a result of the first interest payment date being greater than six (6) months after the date of the 1998 Series B Bonds. Upon the issuance of the 1998 Series B Bonds, bond proceeds in an amount equal to the Debt Service Reserve Account Requirement for such Bonds will be deposited in the Debt Service Reserve Account. Under the Resolutions, Cash Equivalents may be used in the future to fund the Debt Service Reserve Account Requirement with respect to the 1998 Series B Bonds. See "PLAN OF FINANCING—Estimated Sources and Uses of Funds." Although under any Supplemental Resolution authorizing a particular Series of Bonds one or more reserve accounts may be established for the purpose of securing only Bonds of such Series, no such reserve accounts are created under the 1998 Series B Supplemental Resolution for the sole benefit of the 1998 Series B Bonds.

Upon delivery of the 1998 Series B Bonds and funding of the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Account Requirement for each respective Series of such Bonds, the Debt Service Reserve Account is expected to have a balance of at least \$35,969,533, which is at least equal to the Debt Service Reserve Account Requirement for all of the Outstanding Bonds.

The General Resolution requires that if on any Interest Payment Date or Redemption Date the amount available in the Revenue Account and Redemption Account, as applicable, is insufficient to pay Principal Installments and interest due on any Bonds, the Trustee must apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

Additional Security

Under the General Resolution, payment of the principal or redemption or purchase price of and interest on each Series of Bonds issued thereunder may, but is not required to, be secured by a letter of credit, bond insurance, financial guaranty or other credit or liquidity enhancement. In connection with obtaining any such credit or liquidity enhancement, the Corporation is permitted under the General Resolution to pledge to the provider thereof its interests in the Mortgage Loans and the Accounts. The 1998 Series B Bonds will not have the benefit of any such credit enhancement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Additional Bonds

Additional Bonds, subordinate to or on parity with the Bonds then Outstanding, may be issued by the Corporation pursuant to the General Resolution. Prior to the issuance of any such additional Bonds (other than the Subordinate Bonds), the General Resolution requires that the Trustee be provided with, among other things, confirmation of the then existing rating on the Bonds (other than the Subordinate Bonds) by each of the Rating Agencies then rating such Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" for a description of the requirements that must be met under the General Resolution prior to the issuance of additional Bonds.

Bonds Not a Debt of the State or the City

The Bonds are not a debt of the State or the City and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

Certain Investments

Notwithstanding anything to the contrary contained in the General Resolution, any Investment Securities purchased by the Trustee with funds that are pledged pursuant to the General Resolution must, as of the date of such purchase, be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or "A-1+" or "P-1," as applicable, if the Investment Security has a remaining term at the time it is provided not exceeding one year); provided, however, that the Trustee may purchase Investment Securities that are rated lower than that set forth above, so long as the purchase of such Investment Securities does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies. A change in the rating of any Investment Securities purchased by the Trustee, subsequent to the date of purchase, would not require the Trustee to sell such Investment Securities. If a Rating Agency were to downgrade or withdraw the rating on any Investment Securities previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See "RATINGS." Investment earnings on Accounts are to be transferred to the Revenue Account except as otherwise provided by the General Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Deposits and Investments" and "—Revenue Account."

Amounts held in the various Accounts established under the Resolutions are required to be invested in Investment Securities as provided in the General Resolution. To date with respect to the 1993 Series A Bonds and the 1993 Series B Bonds, the proceeds deposited in the Debt Service Reserve Account have been invested in long-term United States Treasury Obligations subject to a put agreement by and among the Corporation, the Trustee and Morgan Guaranty Trust Company of New York ("Morgan"), which obligates Morgan, until the maturity of such Bonds, to purchase such United States Treasury Obligations at the Corporation's original cost under certain circumstances. With respect to the 1995 Series A Bonds, the amounts deposited in the Debt Service Reserve Account are currently invested in Government Obligations to mature on January 15, 1999. With respect to the 1996 Series A Bonds, the amounts deposited in the Debt Service Reserve Account are currently invested under a repurchase agreement by and among the Trustee, Bayerische Landesbank Girozentrale and the Corporation (the "Repurchase Agreement"). With respect to the 1993 Series A Bonds, the 1993 Series B Bonds, the 1995 Series A Bonds and the 1996 Series A Bonds, certain of the amounts deposited in the Revenue Account are also currently invested under the Repurchase Agreement. With respect to the 1997 Series A and the 1997

Series B Bonds, the amounts deposited in the Debt Service Reserve Account and the Bond Proceeds Account, and certain of the amounts deposited in the Revenue Account are currently invested under a repurchase agreement by and among the Trustee, Westdeutsche Landesbank Girozentrale and the Corporation. With respect to the 1997 Series C Bonds, the amounts deposited in the Debt Service Reserve Account and the Bond Proceeds Account, and certain of the amounts deposited in the Revenue Account are currently invested in a time deposit pursuant to a deposit agreement by and among the Trustee, Bayerische Landesbank Girozentrale and the Corporation. With respect to the 1998 Series A Bonds, the amounts deposited in the Debt Service Reserve Account and the Bond Proceeds Account, and certain of the amounts deposited in the Revenue Account, are currently invested in a time deposit pursuant to a deposit agreement by and among the Trustee, Bayerische Landesbank Girozentrale and the Corporation. With respect to the 1998 Series B Bonds, the amounts to be deposited in the Debt Service Reserve Account and the Bond Proceeds Account and certain of the amounts deposited in the Revenue Account are expected to be invested in a time deposit pursuant to a deposit agreement by and among the Trustee, Bayerische Landesbank Girozentrale and the Corporation.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

Set forth below are abridged or summarized excerpts of certain sections of the General Resolution. In some instances, the General Resolution permits the modification of certain of its provisions by a Supplemental Resolution relating to a specific Series of Bonds. Certain of such permitted modifications, which have been made with respect to the 1998 Series B Bonds by the provisions of the 1998 Series B Supplemental Resolution have been summarized below. Prior to the issuance of the 1998 Series B Bonds, other Supplemental Resolutions authorizing other Series of Bonds have also modified certain provisions of the General Resolution with respect to the Series of Bonds authorized thereunder and such modifications (except as described in the next sentence) have not been summarized below. Certain modifications to the General Resolution, which have been made with respect to the 1996 Series A Bonds by the provisions of the Fifth Supplemental Resolution, have also been summarized below. These have been included because the outstanding principal balance of certain of the Mortgage Loans financed with the proceeds of the 1996 Series A Bonds, which Mortgage Loans are not secured by supplemental security and, in some cases, are not subsidized under any subsidy program, exceeds 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the General Resolution. The excerpts set forth below do not purport to be complete or to cover all sections of the General Resolution. Reference is made to the General Resolution, the Fifth Supplemental Resolution and the 1998 Series B Supplemental Resolution, copies of which are on file with the Corporation and the Trustee, for a complete statement of the rights, duties and obligations of the Corporation, the Trustee and the Bond owners thereunder.

Contract With Bond Owners — Security for Bonds — Limited Obligation

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the General Resolution shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the General Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for the benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the General Resolution or a Supplemental Resolution authorizing a Series of Bonds. The Corporation pledges the Revenues and all amounts held in any Account established under the General

Resolution to the payment of the principal or Redemption Price of and interest on the Bonds, subject to provisions permitting the use and application of such amounts for stated purposes, as provided in the General Resolution; provided, however, that notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, pursuant to a Supplemental Resolution authorizing the issuance of a Series of Bonds, also pledge such Revenues and amounts to one or more Credit Facility Providers who have provided Credit Facilities to secure such Series of Bonds and such further pledge may be either on a parity with or subordinate to the pledge set forth in this paragraph to secure the payment of the Bonds, all as set forth in such Supplemental Resolution; and provided further, however, that the Corporation may, pursuant to a Supplemental Resolution, provide that amounts in an Account established pursuant to such Supplemental Resolution be excluded from the pledge set forth in this paragraph to secure the payment of the Bonds or otherwise limit such pledge with respect to such Account. The foregoing pledge does not include amounts on deposit in or required to be deposited in the Rebate Fund. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

Provisions for Issuance of Bonds

In order to provide sufficient funds for financing the Corporation Corporate Purposes, Bonds of the Corporation are authorized to be issued without limitation as to amount except as may be provided by law. The Bonds shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only upon the receipt by the Trustee of, among other things:

- (a) a Bond Counsel's Opinion to the effect that (i) the General Resolution and the Supplemental Resolution have been duly adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); (ii) the General Resolution and such Supplemental Resolution create the valid pledge and lien which they purport to create of and on the Revenues and all the Accounts established under the General Resolution and such Supplemental Resolution and monies and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the General Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the General Resolution and such Supplemental Resolution;
 - (b) a written order as to the delivery of such Bonds, signed by an Authorized Officer;
 - (c) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the General Resolution;
 - (d) a Cash Flow Statement conforming to the requirements of the General Resolution;
- and

(e) except with respect to the initial Series of Bonds issued under the General Resolution, confirmation of the then existing rating on the Bonds (other than Subordinate Bonds) by each of the Rating Agencies.

Refunding Bonds

Refunding Bonds of the Corporation may be issued under and secured by the General Resolution, subject to the conditions provided in the General Resolution, from time to time, for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium thereon (or premium, to the extent permitted by law, included in the purchase price, if purchased in lieu of redemption), (ii) making any required deposits to the Debt Service Reserve Account, (iii) if deemed necessary by the Corporation, paying the interest to accrue on the refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) paying any expenses in connection with such refunding. Before such Bonds shall be issued, the Corporation shall adopt a Supplemental Resolution authorizing the issuance and sale of such Bonds, fixing the amount and the details thereof, describing the Bonds to be redeemed and setting forth determinations required by the General Resolution.

Except as otherwise provided in the Supplemental Resolution authorizing a Series of refunding Bonds, refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of the General Resolution as all other Bonds (other than Subordinate Bonds) issued under the General Resolution, provided, however, a Supplemental Resolution may provide for differences in the maturities thereof or the Interest Payment Dates or the rate or rates of interest or the provisions for redemption.

Before any Series of refunding Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee, among other things, the following:

- (a) the documents specified under the heading "Provisions for Issuance of Bonds;"
- (b) a certificate of an Authorized Officer stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any monies which have been made available to the Trustee for the purpose of paying Debt Service, or the principal of and the interest on the investment of such proceeds or any such monies, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption and the expenses in connection with such refunding and to make any required deposits to the Debt Service Reserve Account; and
- (c) if all or part of the refunded Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Officer to the Trustee to redeem the applicable Bonds.

The proceeds of such refunding Bonds and the investment income therefrom shall, to the extent practicable, be invested and reinvested by the Trustee, with the approval of the Corporation in Investment Securities, and the monies so invested shall be available for use when required.

Application and Disbursement of Bond Proceeds

Unless otherwise provided in the applicable Supplemental Resolution, the proceeds of sale of a Series of Bonds, shall, as soon as practicable upon the delivery of such Bonds by the Trustee, be applied as follows:

(1) the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds shall be applied as specified in the Certificate of an Authorized Officer, and such portion of the amount, if any, received as accrued interest shall be deposited in the Revenue Account as shall be directed by an Authorized Officer;

(2) with respect to any Series issued for the purpose of refunding Bonds or any other bonds, notes or other obligations of the Corporation or other entity, the amount, if any, required to pay Costs of Issuance, as designated by an Authorized Officer of the Corporation, shall be deposited in the Bond Proceeds Account;

(3) with respect to any Series issued for the purpose of refunding Bonds or any other bonds, notes or other obligations of the Corporation or other entity, the balance remaining after such deposits have been made as specified in (1) and (2) above shall be applied as specified in the Supplemental Resolution authorizing such Series;

(4) the amount, if any, necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement immediately following the time of such delivery shall be deposited in the Debt Service Reserve Account together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Bonds; and

(5) the balance remaining after such deposits have been made shall be deposited in the Bond Proceeds Account.

Except as otherwise provided in the applicable Supplemental Resolution, amounts in the Bond Proceeds Account shall not be disbursed for financing a Mortgage Loan, including either advances during construction or permanent financing thereof, unless, among other things, (1) the instrument evidencing such Mortgage Loan and the Mortgage and any other document securing such Mortgage Loan shall have been duly executed and delivered and, in the opinion of counsel, who may be counsel to the Mortgagor, constitute valid and binding agreements between the parties thereto enforceable in accordance with their terms, except as such enforcement may be limited by operation of bankruptcy, insolvency or similar laws affecting the rights and remedies of creditors; (2) there shall have been filed with the Trustee, an opinion of counsel, who may be counsel to the Corporation, to the effect that such Mortgage Loan complies with all provisions of the Act or otherwise applicable law and the General Resolution; (3) the Mortgage is the subject of a policy of title insurance, in an amount not less than the amount of the unpaid principal balance of the Mortgage Loan, insuring in favor of the Corporation, a mortgage lien (which need not be a first mortgage lien, if so provided in the applicable Supplemental Resolution), subject only to Permitted Encumbrances, on the real property securing the Mortgage Loan; and (4) the Project is insured against loss by fire and other hazards as required by the Corporation.

Pursuant to the terms of the Fifth Supplemental Resolution, with respect to the 1996 Series A Bonds and the 1996 Series A Mortgage Loans, the provisions of clause (1) of the preceding paragraph regarding an opinion of counsel shall be inapplicable.

Deposits and Investments

Any amounts that are pledged pursuant to the General Resolution and held by the Trustee in any Accounts under or pursuant to the General Resolution may be invested in Investment Securities. In computing the amount in any Account, obligations purchased as an investment of monies therein shall be valued at amortized value or if purchased at par value, at par.

Upon receipt of written instructions from an Authorized Officer of the Corporation, the Trustee shall exchange any coin or currency of the United States of America or Investment Securities held by it pursuant to the General Resolution or any Supplemental Resolution for any other coin or currency of the United States of America or Investment Securities of like amount.

Notwithstanding anything to the contrary contained in the General Resolution, any Investment Securities purchased by the Trustee with funds that are pledged pursuant to the General Resolution must, as of the date of such purchase, be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or "A-1+" or "P-1," as applicable if the Investment Security has a remaining term at the time it is provided not exceeding one year); provided, however, that the Trustee may purchase Investment Securities that are rated lower than that set forth above, so long as the purchase of such Investment Securities does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies.

Establishment of Accounts

(A) The General Resolution establishes the following special trust accounts to be held and maintained by the Trustee in accordance with the General Resolution:

- (1) Bond Proceeds Account;
- (2) Revenue Account;
- (3) Redemption Account; and
- (4) Debt Service Reserve Account.

Bond Proceeds Account

There shall be deposited from time to time in the Bond Proceeds Account any proceeds of the sale of Bonds representing principal or premium or other amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts determined by the Corporation to be deposited therein from time to time. Upon the issuance, sale and delivery of any Series of Bonds pursuant to the General Resolution, the Corporation shall establish on the books of the Corporation a separate sub-account designated "_____ Series _____ Bond Proceeds Sub-Account" (inserting therein the appropriate series and other necessary designation). Upon payment of any amounts from the Bond Proceeds Account, such payments shall be charged to the appropriate Bond Proceeds Sub-Account on the books of the Corporation.

Amounts in the Bond Proceeds Account shall be expended only (i) to finance one or more of the Corporation Corporate Purposes, including but not limited to, the financing of Mortgage Loans, in

accordance with the General Resolution, which may include making Mortgage Loans, acquiring Mortgage Loans or refinancing Mortgage Loans; (ii) to pay Costs of Issuance; (iii) to pay principal of and interest on the Bonds when due, in accordance with the General Resolution, to the extent amounts in the Revenue Account are insufficient for such purpose; (iv) to purchase or redeem Bonds in accordance with the General Resolution; (v) to pay, purchase or redeem bonds, notes or other obligations of the Corporation or any other entity in accordance with the General Resolution; and (vi) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider for amounts obtained under a Credit Facility for the purposes described in clauses (iii), (iv) or (v) of this paragraph.

At least one day prior to each Interest Payment Date the Corporation shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amounts necessary and available to pay the principal of and interest on the Bonds from the amount on deposit in the Bond Proceeds Account, after giving effect to the actual and expected application of amounts therein to the financing of the Corporation Corporate Purposes as of the date of such Certificate, the amount on deposit for such use in the Revenue Account, and any other amount available for such use pursuant to a Supplemental Resolution. On each Interest Payment Date the Trustee shall transfer the amounts so stated to the Revenue Account.

If so provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Corporation may direct the Trustee in writing to transfer amounts in the Bond Proceeds Account to fund the payment, purchase or redemption of bonds, notes or other obligations, which may include interest thereon, theretofore issued by the Corporation or any other entity upon receipt by the Trustee of a written requisition setting forth (i) the issue of bonds, notes or other obligations with respect to which the transfer is to be made, and (ii) the amount of the transfer.

Revenue Account

The Corporation shall cause all Pledged Receipts to be deposited promptly with the Trustee in the Revenue Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution. Earnings on all Accounts established under the General Resolution not required to be deposited in the Rebate Fund shall be deposited, as realized, in the Revenue Account.

The Trustee shall pay out of the Revenue Account (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date, and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by the Trustee to such payments; provided, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Account which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Any amount accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment may, and if so directed in writing by the Corporation shall, be applied (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price

plus accrued interest, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided, however, that the purchase of such Bonds may be at prices exceeding that set forth in clause (i) of this paragraph if the Corporation shall have filed with the Trustee a Cash Flow Statement pursuant to the General Resolution, and provided further, however, that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Account which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Except as otherwise provided in an applicable Supplemental Resolution, upon the purchase or redemption of any Bond for which Sinking Fund Payments have been established from amounts in the Revenue Account, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption.

As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall call for redemption on such due date, Bonds of the maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has monies in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date.

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (i) first, to the Debt Service Reserve Account, an amount equal to the amount necessary to be transferred to such Account in order that the amount on deposit therein be equal to the Debt Service Reserve Account Requirement (or such lesser amount as may be available), (ii) second, to the Bond Proceeds Account, such amount as the Corporation determines is required to finance Corporation Corporate Purposes, as evidenced by a Certificate of an Authorized Officer, (iii) third, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses, (iv) fourth, if so directed by the Corporation, to any Credit Facility Providers, an amount equal to any fees due and owing to such Credit Facility Providers, (v) fifth, to the Corporation, an amount equal to the administrative fee, if any, of the Corporation, to the extent unpaid and (vi) sixth, to the entities providing Investment Securities with respect to the Accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a Certificate of an Authorized Officer. At any time after the transfers described in (i), (ii), (iii), (iv), (v) and (vi) above have been made, except as otherwise provided in a Supplemental Resolution, the Corporation may, upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate pursuant to the General Resolution, withdraw free and clear of the lien of the General Resolution any amount remaining in the Revenue Account.

Notwithstanding any other provision under this heading, the Trustee may at any time make transfers from the Revenue Account, upon the written direction of an Authorized Officer, to the Redemption Account for the purposes of such Account. No such transfer shall be made, however, unless there is on deposit in the Revenue Account after such transfer an amount equal to the Debt Service accrued on all Outstanding Bonds as of the date of such transfer.

Notwithstanding any other provision under this heading, no payments shall be required to be made into the Revenue Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by the Corporation may be applied to any corporate purpose of the Corporation free and clear of the pledge and lien of the General Resolution.

Redemption Account

There shall be deposited in the Redemption Account all amounts which are required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the General Resolution or of any Supplemental Resolution authorizing the issuance of a Series of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in the General Resolution.

Notwithstanding anything to the contrary contained in the General Resolution, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Account which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Debt Service Reserve Account

There shall be deposited in the Debt Service Reserve Account all amounts required to be deposited therein pursuant to the General Resolution and any Supplemental Resolution and any other amounts received and determined to be deposited therein by the Corporation.

Amounts on deposit in the Debt Service Reserve Account shall be applied, to the extent other funds are not available therefor pursuant to the General Resolution and the applicable Supplemental Resolution, to pay the Principal Installments of and interest on the Outstanding Bonds when due, whether by call for redemption or otherwise.

Whenever the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, the amount of such excess, upon the direction of the Corporation, shall be transferred to the Revenue Account.

Monies in the Debt Service Reserve Account may, and at the direction of the Corporation shall, be withdrawn by the Trustee and deposited in the Redemption Account for the purchase or redemption of Bonds at any time, provided that subsequent to such purchase or redemption the amount in the Debt Service Reserve Account will not be less than the Debt Service Reserve Account Requirement.

If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Account and the Redemption Account, as applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

Notwithstanding anything to the contrary contained in the General Resolution, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Debt Service Reserve Account which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

With respect to the 1996 Series A Bonds and the 1998 Series B Bonds, the Fifth Supplemental Resolution and the 1998 Series B Supplemental Resolution each provide that, notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, at any time, provide to the Trustee one or more Cash Equivalents for deposit in the Debt Service Reserve Account with respect to such Bonds. In the event any such Cash Equivalents are so provided, the Trustee shall make such deposit and transfer funds in an equivalent amount from the Debt Service Reserve Account to the Revenue Account.

Rebate Fund

The General Resolution also establishes the Rebate Fund as a special trust account to be held and maintained by the Trustee. Except as otherwise provided in a Supplemental Resolution with respect to an Account established thereunder which is not pledged to the payment of the Bonds or to any Credit Facility Provider in connection with a Credit Facility securing one or more Series of Bonds, earnings on all Accounts required to be deposited into the Rebate Fund shall be deposited, at least as frequently as the end of each fifth Bond Year and at the time that the last Bond that is part of the Series for which a Rebate Amount is required is discharged, into the Rebate Fund.

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bond owner or any other person other than as set forth in the General Resolution.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer, shall deposit in the Rebate Fund at least as frequently as the end of each fifth Bond Year and at the time that the last Bond that is part of the Series for which a Rebate Amount is required is discharged, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such time of calculation. The amount deposited in the Rebate Fund pursuant to the previous sentence shall be deposited from amounts withdrawn from the Revenue Account, and to the extent such amounts are not available in the Revenue Account, directly from earnings on the Accounts.

Amounts on deposit in the Rebate Fund shall be invested in the same manner as amounts on deposit in the Accounts, except as otherwise specified by an Authorized Officer to the extent necessary to comply with the covenant set forth in the General Resolution, and except that the income or interest earned and gains realized in excess of losses suffered by the Rebate Fund due to the investment thereof shall be deposited in or credited to the Rebate Fund from time to time and reinvested.

In the event that, on any date of calculation of the Rebate Amount, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Account.

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States,

the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the General Resolution, not later than sixty (60) days after the date on which all Bonds of a Series for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

Payment of Bonds

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

Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, any Bonds as designated in a Supplemental Resolution, to which the Corporation intends that the following covenants shall apply.

The Corporation shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for Federal income tax purposes, except in the event that the owner of any such Bond is a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of the Code.

The Corporation shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations or other investment property, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148(a) of the Code.

Except as otherwise permitted in a Supplemental Resolution authorizing the issuance of a Series of Bonds the Corporation shall not permit any person or "related person" (as defined in the Code) to purchase Bonds in an amount related to the Mortgage Loan to be acquired by the Corporation from such person or "related person."

Pursuant to the provisions of the 1998 Series B Supplemental Resolution, the Corporation has designated the 1998 Series B Bonds as Bonds to which the Corporation intends the provisions under this heading to apply.

Covenants with Respect to Mortgage Loans

The Corporation pledges for the benefit of the Bond owners all of its right, title and interest in and to the Mortgage Loans, which pledge shall be valid and binding from and after the date of adoption of the General Resolution. Such Mortgage Loans shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether such parties have notice thereof. Notwithstanding anything to the contrary contained in the General Resolution, the Corporation may, pursuant to a Supplemental Resolution authorizing a Series of Bonds, (i) also pledge one or more Mortgage Loans for the benefit of one or more

Credit Facility Providers who have provided Credit Facilities to secure such Series of Bonds and such further pledge may be either on a parity with or subordinate to the pledge set forth in this paragraph to secure the payment of the Bonds, all as set forth in such Supplemental Resolution or (ii) provide that any or all of the mortgage loans financed by the Series of Bonds authorized pursuant to such Supplemental Resolution be excluded from the pledge set forth in this paragraph to secure the payment of the Bonds or otherwise limit such pledge with respect to such mortgage loans. In addition, notwithstanding the foregoing, any Mortgage Loan pledged under the General Resolution may, at the written direction of the Corporation, be released from such pledge upon the filing with the Trustee of a Cash Flow Statement pursuant to the General Resolution. Upon the happening of an event of default specified under the heading "Events of Default," the written request of the Trustee or the owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds (other than Subordinate Bonds), the Corporation shall effectuate the assignment and deliver the Mortgage Loans to the Trustee. If, however, the Trustee and the Bond owners are restored to their positions in accordance with the General Resolution, the Trustee shall assign such Mortgage Loans with respect thereto back to the Corporation.

Pursuant to the Fifth Supplemental Resolution, with respect to the 1996 Series A Mortgage Loans subsidized through Section 236, any such assignment or reassignment of such Mortgage Loans shall be effected in accordance with all applicable HUD regulations and requirements so as not to jeopardize the payment of any Federal subsidy benefits pursuant to Section 236 of the National Housing Act.

Pursuant to the 1998 Series B Supplemental Resolution, with respect to the 1998 Series B Mortgage Loan, for so long as the SONYMA Insurance is in effect with respect to the 1998 Series B Mortgage Loan and SONYMA has not failed to honor a claim thereunder, any such assignment or reassignment of such Mortgage Loan shall be effected in accordance with such SONYMA Insurance.

In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation shall, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, any other applicable law, the provisions of the General Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the kind permitted by the General Resolution, to finance the Corporation Corporate Purposes pursuant to the Act, any other applicable law and the General Resolution and any applicable Supplemental Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans), (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on Mortgage Loans or any subsidy payments in connection with the Projects securing the Mortgage Loans or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loans, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made.

Pursuant to the 1998 Series B Supplemental Resolution, with respect to the 1998 Series B Mortgage Loan, the Corporation shall not take any action in conflict with the SONYMA Insurance or any applicable SONYMA regulations or 1998 Series B Mortgage Loan documents approved by SONYMA so as to jeopardize the procurement or continuation of the SONYMA Insurance. The Corporation shall promptly advise the Trustee of the occurrence of a default on the 1998 Series B Mortgage Loan and shall keep the Trustee advised as to any actions taken either to cure such default and/or to claim the benefits of SONYMA Insurance including, but not limited to, the filing of a claim with respect to such SONYMA Insurance. In addition, the Corporation shall not take any action with respect to the 1998 Series B

Mortgage Loan that would cause the loss or diminution of benefits receivable as SONYMA Insurance with respect to the 1998 Series B Mortgage Loan. The Corporation shall assign the 1998 Series B Mortgage Loan in default to SONYMA or take such other actions in timely fashion so as to receive the benefits of the SONYMA Insurance and avoid any loss or diminution of benefits receivable as SONYMA Insurance, and shall take any and all action necessary or desirable to ensure that all benefits of SONYMA Insurance are paid to the Corporation or the Trustee, as the case may be, in cash, in accordance with the SONYMA Insurance and any applicable regulations of SONYMA. The foregoing provisions of this paragraph shall apply only from and after the date of issuance of SONYMA Insurance with respect to the 1998 Series B Mortgage Loan.

Pursuant to the Fifth Supplemental Resolution, with respect to the 1996 Series A Mortgage Loans, and pursuant to the 1998 Series B Supplemental Resolution, with respect to the 1998 Series B Mortgage Loan, the following additional provisions shall apply:

(1) The Corporation shall take all steps, actions and proceedings reasonably necessary, in the judgment of the Corporation, to protect its rights with respect to the Mortgages securing such Mortgage Loans.

(2) Whenever, in the Corporation's judgment, it shall be necessary in order to protect and enforce the rights of the Corporation under a Mortgage securing a 1996 Series A Mortgage Loan or the 1998 Series B Mortgage Loan, as the case may be, and to protect and enforce the rights and interests of Bondholders, the Corporation may, in its discretion, commence foreclosure proceedings against each Mortgagor in default under the provisions of such Mortgage and/or, in protection and enforcement of its rights under such Mortgage, the Corporation may, in its discretion, acquire and take possession of the Project covered by such Mortgage by bidding for and purchasing such Project at the foreclosure sale thereof, by deed in lieu of foreclosure or otherwise.

(3) Upon acquisition by the Corporation of a Project securing a 1996 Series A Mortgage Loan or the 1998 Series B Mortgage Loan, as the case may be, by foreclosure, deed in lieu of foreclosure or otherwise, and so long as the Corporation shall have title thereto or be in possession thereof, the Corporation shall, as the case may be, operate and administer such Project in the place and stead of the Mortgagor and in the manner required of such Mortgagor by the terms and provisions of such Mortgage.

The Corporation shall pay the Acquired Project Net Operating Income derived from such Acquired Project to the Trustee for deposit into the Revenue Fund.

(4) Notwithstanding the provisions of paragraph (3) above, upon acquisition by the Corporation of a Project securing a 1996 Series A Mortgage Loan or the 1998 Series B Mortgage Loan, as the case may be, whether by foreclosure, deed in lieu of foreclosure or otherwise:

(a) The Corporation may at any time thereafter sell such Project to another qualified entity and make a Mortgage Loan with respect thereto as if such entity were the original Mortgagor, provided that (i) the Mortgage securing such a Mortgage Loan shall contain the terms, conditions, provisions and limitations substantially similar to the Mortgage of such Project which had previously secured the related 1996 Series A Mortgage Loan or 1998 Series B Mortgage Loan, (ii) said new Mortgage Loans shall automatically become subject to the lien of the General Resolution and (iii) the Corporation shall file with the Trustee a Certificate of an Authorized Officer describing

said replacement Mortgage Loan and specifying which 1996 Series A Mortgage Loan or 1998 Series B Mortgage Loan has been so replaced; or

(b) The Corporation may at any time thereafter sell such Project provided that the proceeds of such sale shall be treated as a Recovery of Principal.

(5) In addition, and as an alternative to the rights of the Corporation described above, following a default under a 1996 Series A Mortgage Loan or the 1998 Series B Mortgage Loan, as the case may be, the Corporation may, in its discretion, cause or consent to the sale of a Project to another qualified entity and, in connection with any such sale (a) allow the purchaser to assume the related Mortgage, or (b) make a Mortgage Loan with respect thereto as if such entity were the original Mortgagor, if such sale shall occur after the original Mortgage shall have been discharged, provided, however, that (i) the Mortgage securing such a Mortgage Loan shall contain the terms, conditions, provisions and limitations substantially similar to the Mortgage of such Project which had previously secured the related 1996 Series A Mortgage Loan or 1998 Series B Mortgage Loan, (ii) said new Mortgage Loan shall automatically become subject to the lien of the General Resolution and (iii) the Corporation shall file with the Trustee a Certificate of an Authorized Officer describing said replacement Mortgage Loan and specifying which 1996 Series A Mortgage Loan or 1998 Series B Mortgage Loan has been so replaced.

(6) To the extent permitted by law, any rights of the Corporation set forth in (1) - (5) above may be exercised by a subsidiary of the Corporation established pursuant to Section 654-a of the Act.

Pursuant to the 1998 Series B Supplemental Resolution, with respect to the 1998 Series B Mortgage Loan, in addition, and as a further alternative to the rights of the Corporation described in (1) - (6) above, following a default under the 1998 Series B Mortgage Loan, the Corporation may, in its discretion, obtain amounts under any letter of credit or other credit enhancement securing the 1998 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement, in accordance with the terms thereof; provided that if the Corporation obtains funds in an amount equal to the outstanding principal balance of the 1998 Series B Mortgage Loan, plus the lesser of (i) accrued interest thereon or (ii) the maximum amount available with respect to accrued interest thereon, pursuant to any such letter of credit, credit enhancement or other agreement, the Corporation shall immediately assign the 1998 Series B Mortgage Loan to or upon the order of the provider thereof free and clear of the lien of the General Resolution.

Notwithstanding the foregoing, from and after the date of issuance of SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, the provisions of (1) - (6) above and the immediately preceding paragraph shall apply only during the period that SONYMA has failed to honor its payment obligations under the SONYMA Insurance.

Issuance of Additional Obligations

The Corporation shall not hereafter create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a superior charge and lien on the Revenues and assets pledged under or pursuant to the General Resolution for the payment of the Bonds (other than Subordinate Bonds). In addition, the Corporation shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Bonds and except as expressly permitted by the General Resolution with respect to pledges made for the benefit of Credit Facility Providers) which will be secured by an equal charge and lien on the Revenues and assets pledged under

or pursuant to the General Resolution. The Corporation expressly reserves the right (i) to issue one or more Series of Subordinate Bonds pursuant to Supplemental Resolutions and (ii) to issue one or more series of bonds, notes or other obligations pursuant to other resolutions which will be secured by a subordinate charge and lien on the Revenues and assets pledged under the General Resolution.

Sale of Mortgage Loans

The Corporation is authorized to sell, assign or otherwise dispose of a Mortgage Loan, in addition to a sale, assignment or disposition required pursuant to the General Resolution or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as Recoveries of Principal for purposes of the General Resolution and provided, further, that, with respect to any Mortgage Loan not in default, a Cash Flow Statement is filed with the Trustee.

Pursuant to the 1998 Series B Supplemental Resolution, the Corporation has covenanted, for the benefit of the owners of the 1998 Series B Bonds, that it shall not sell, assign, endorse or otherwise dispose of the 1998 Series B Mortgage Loan, (a) prior to November 1, 2008, unless either (i) such sale, assignment, endorsement or disposition is required pursuant to Section 7.10 of the General Resolution, or (ii) in the sole judgment of the Corporation, the 1998 Series B Mortgage Loan is in default, and, from and after the date of issuance of the SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, SONYMA has not honored a claim under the SONYMA Insurance with respect to the 1998 Series B Mortgage Loan in accordance with such SONYMA Insurance, and (b) on or after November 1, 2008, unless (i) such sale, assignment, endorsement or disposition is required pursuant to Section 7.10 of the General Resolution, (ii) in the sole judgment of the Corporation, the 1998 Series B Mortgage Loan is in default and, from and after the date of issuance of the SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, SONYMA has not honored a claim under the SONYMA Insurance with respect to 1998 Series B Mortgage Loan in accordance with such SONYMA Insurance, or (iii) amounts received from such sale, assignment, endorsement or disposition, together with other available amounts, shall be sufficient to redeem the aggregate principal amount of the Outstanding 1998 Series B Bonds (including any redemption premium with respect thereto and interest accrued to the Redemption Date) and the Corporation shall have provided to the Trustee a Certificate of an Authorized Officer as to the sufficiency of such amounts to be applied to such redemption and, pursuant to the General Resolution, shall have filed with the Trustee a Cash Flow Statement.

Disposition of Recoveries of Principal

All Recoveries of Principal shall be deposited in the Redemption Account and applied to the redemption of Bonds as soon as practically possible; provided, however, that, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, in lieu of such deposit, the Corporation may, upon filing a Cash Flow Statement, direct the Trustee to deposit all or a portion of any such Recoveries of Principal in the Bond Proceeds Account or the Revenue Account.

Pursuant to the 1998 Series B Supplemental Resolution, with respect to the 1998 Series B Mortgage Loan and the Project financed therefrom, all Recoveries of Principal must be deposited in the Redemption Account.

Powers of Amendment

Any modification of or amendment to the provisions of the General Resolution and of the rights and obligations of the Corporation and of the owners of the Bonds may be made by a Supplemental

Resolution, with the written consent (given as provided in the General Resolution), (i) of the owners of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the owners of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the owners of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; provided, however, that in addition to the foregoing and notwithstanding anything to the contrary contained in the General Resolution, any modification of or amendment to a Supplemental Resolution authorizing the issuance of a Series of Bonds and of the rights and obligations of the Corporation and of the owners of the Bonds of such Series thereunder, in any particular, may, if no Bonds other than the Bonds of such Series are affected by the modification or amendment, be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall require the consent of Bond owners, with the written consent given as provided in the General Resolution, of at least two-thirds in principal amount of the Bonds of such Series Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding however, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The Corporation may adopt, without the consent of any owners of the Bonds, Supplemental Resolutions to, among other things, provide limitations and restrictions in addition to the limitations and restrictions contained in the General Resolution on the issuance of other evidences of indebtedness; add to the covenants and agreements of limitations and restrictions on, the Corporation's other covenants and agreements or limitations and restrictions which are not contrary to or inconsistent with the General Resolution; surrender any right, power or privilege of the Corporation under the General Resolution, but only if the surrender is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Resolution; confirm any pledge under the General Resolution of the Revenues or of any other revenues or assets; modify any of the provisions of the General Resolution in any respect whatever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of a Series of Bonds and prescribe the terms and conditions thereof; cure any ambiguity or correct any defect or inconsistent provision in the General Resolution (provided that the Trustee shall consent thereto); comply with the Code; pledge under the General Resolution any additional collateral as further security for the Bonds or specific Series of Bonds, including, but not limited to, additional Mortgage Loans or other assets or revenues; appoint a trustee (other than the Trustee) with respect to any Subordinate Bonds; or make any additions, deletions or modifications to the General Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

Events of Default

Each of the following events shall constitute an "Event of Default" with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when

and as the same shall become due; or (2) the Corporation shall fail or refuse to comply with the provisions of the General Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any applicable Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the owners of not less than 5% in principal amount of the Outstanding Bonds (other than Subordinate Bonds).

Remedies

Upon the happening and continuance of any Event of Default specified in clause (1) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (2) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds (other than Subordinate Bonds), shall proceed, in its own name, subject to the provisions of the General Resolution, to protect and enforce the rights of the Bond owners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loans and to require the Corporation to carry out any other covenants or agreements with such Bond owners, including the assignment of the Mortgage Loans, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (5) by declaring all Outstanding Bonds due and payable (provided that with respect to an Event of Default specified in clause (2) of the preceding paragraph, no such declaration shall be made without the consent of the owners of 100% in principal amount of the Outstanding Bonds (other than Subordinate Bonds)), and if all defaults shall be cured, then, with the written consent of the owners of not less than 25% in principal amount of the Outstanding Bonds (other than Subordinate Bonds), by annulling such declaration and its consequences; or (6) in the event that all Outstanding Bonds are declared due and payable, by selling Mortgage Loans and any Investment Securities securing such Bonds.

In the enforcement of any rights and remedies under the General Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Corporation for principal, Redemption Price, interest or otherwise, under any provisions of the General Resolution or a Supplemental Resolution or of the Bonds with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bond owners, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorneys' fees), and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Anything in the General Resolution to the contrary notwithstanding, the owners of the majority in principal amount of the Bonds then Outstanding (other than Subordinate Bonds) shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the

General Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction.

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Resolution, or for the protection or enforcement of any right under the General Resolution unless such owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25% in principal amount of the Bonds then Outstanding (other than Subordinate Bonds) shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the General Resolution granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses (including legal fees and expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the General Resolution shall affect or impair the right of any Bond owner to enforce the payment of the principal of and interest on such owner's Bonds, or the obligation of the Corporation to pay the principal of and interest on each Bond issued under the General Resolution to the owner thereof at the time and place in said Bond expressed.

Unless remedied or cured, the Trustee shall give to the Bond owners notice of each Event of Default under the General Resolution known to the Trustee within ninety days after actual knowledge by the Trustee of the occurrence thereof. However, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Bond Proceeds Account, the Trustee may withhold such notice if it determines that the withholding of such notice is in the interest of the Bond owners.

Priority of Payments After Default

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of and interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Resolution, shall be applied as follows:

- (1) Unless the principal of all of such Bonds shall have become or have been declared due and payable:

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

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

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

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

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

Defeasance

If the Corporation shall pay or cause to be paid to the owners of all Bonds then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any Revenues and other monies, securities, funds and property pledged by the General Resolution and all other rights granted by the General Resolution shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Except as otherwise

provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if: (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give as provided in the General Resolution notice of redemption on said date of such Bonds, (ii) there shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) either (a) monies in an amount which shall be sufficient, or (b) Government Obligations or (c) obligations (1) validly issued by or on behalf of a state or political subdivision thereof, (2) the interest on which is excluded from gross income for federal income taxation purposes pursuant to Section 103(a) of the Code and (3) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this subsection has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the General Resolution and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds, neither monies deposited with the Trustee pursuant to the General Resolution nor principal or interest payments on any such Government Obligations or obligations described in clause (c) above and deposited with the Trustee pursuant to the General Resolution shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations or obligations described in clause (c) above and deposited with the Trustee pursuant to the General Resolution, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clauses (b) or (c) above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and, if not required for the payment of such Bonds, any monies deposited with the Trustee pursuant to the General Resolution and principal and interest payments on the obligations described in clauses (b) or (c) above shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee may sell, transfer or otherwise dispose of the obligations described in clauses (b) and (c) above deposited with the Trustee pursuant to the General Resolution; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clauses (b) and (c) above, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with the General Resolution.

Amounts held by the Trustee for the payment of principal or Redemption Price of, or interest on, Bonds held by particular Bond owners with respect to which no claim for payment has been made shall be disposed of as provided by applicable law, or if there shall be no such applicable law, shall be returned to the Corporation three years after the date on which payment of such amounts would have been due.

RATINGS

Standard & Poor's Ratings Group ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned the 1998 Series B Bonds ratings of "AA" and "Aa2", respectively. Ratings were applied for by the Corporation and certain information was supplied by the Corporation to such rating agencies to be considered in evaluating the 1998 Series B Bonds. Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that either or both of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 1998 Series B Bonds.

AGREEMENT OF THE STATE

Section 657 of the Act provides that the State pledges to and agrees with the holders of obligations of the Corporation, including owners of the 1998 Series B Bonds, that it will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with the owners of the 1998 Series B Bonds, or in any way impair the rights and remedies of such owners until the 1998 Series B Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners of the 1998 Series B Bonds, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1998 Series B Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the 1998 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In rendering such opinion, Bond Counsel has assumed compliance by the Corporation with its covenant in the Resolutions to at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 1998 Series B Bonds shall be excluded from gross income for Federal income tax purposes.

In the opinion of Bond Counsel, under existing statutes, interest on the 1998 Series B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Summary of Certain Federal Tax Requirements

The Code provides that gross income for Federal income tax purposes does not include interest on a private activity bond if it is a qualified 501(c)(3) bond. A qualified 501(c)(3) bond is an obligation issued by a state or political subdivision, at least 95 percent of the proceeds of which (net of amounts

applied to fund a reasonably required reserve) are used to finance property owned and used by a 501(c)(3) organization or by a governmental unit in a manner that satisfies, and operated in accordance with, applicable Federal tax law, and which meets (i) arbitrage restrictions on the use of proceeds of the issue and (ii) certain other requirements, some of which are summarized below.

The Code requires, among other things, that the property financed by a qualified 501(c)(3) bond (i) be at all times owned and used by a 501(c)(3) organization in good standing or a governmental unit in a manner which does not generate unrelated business taxable income and (ii) be at all times operated by a 501(c)(3) organization in good standing or a governmental unit, or be operated by a private entity pursuant to a management contract satisfying the requirements of applicable Federal tax law.

In addition, the Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 1998 Series B Bonds in order that interest on the 1998 Series B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of 1998 Series B Bond proceeds, yield and other limits regarding investments of the proceeds of the 1998 Series B Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Corporation has covenanted in the Resolutions that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 1998 Series B Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into a Regulatory Agreement with the 1998 Series B Mortgagor to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the provisions or procedures or certifications set forth therein, the remedies available to the Corporation and/or Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for Federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 1998 Series B Bonds is payable.

Certain Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 1998 Series B Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 1998 Series B Bond.

As noted above, interest on the 1998 Series B Bonds must be taken into account in determining the tax liability of corporations subject to the alternative minimum tax imposed by Section 55 of the Code. In addition, interest on the 1998 Series B Bonds must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of 1998 Series B Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financing institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

Legislation affecting municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 1998 Series B Bonds will not have an adverse effect on the tax-exempt status or market price of the 1998 Series B Bonds.

NO LITIGATION

At the time of delivery and payment for the 1998 Series B Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation stating that there is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 1998 Series B Bonds, or in any way contesting or affecting the validity of the 1998 Series B Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the application of the proceeds thereof as contemplated by this Official Statement or the pledge or application of any monies or security provided for the payment of the 1998 Series B Bonds or the existence or powers of the Corporation.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 1998 Series B Bonds by the Corporation are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the 1998 Series B Mortgagor by its Counsel, Herrick Feinstein LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their Counsel, Battle Fowler LLP, New York, New York.

LEGALITY OF 1998 SERIES B BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 1998 Series B Bonds are securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. The 1998 Series B Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

FINANCIAL STATEMENTS

The financial statements of the Corporation for the fiscal year ended October 31, 1997, appended hereto as Appendix B as part of this Official Statement, have been audited by KPMG Peat Marwick LLP, certified public accountants, to the extent and for the periods indicated in their report thereon dated January 29, 1998, which report is also appended hereto. Such financial statements are included herein for information purposes only, and the information contained in these financial statements should not be read to in any way modify the description of the security for the Bonds contained herein. The assets of the Corporation, other than those pledged pursuant to the General Resolution, are not pledged to nor are they available to Bond owners.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Corporation and the Trustee will enter into a written agreement for the benefit of the holders of the 1998 Series B Bonds (the "Disclosure Agreement") to provide continuing disclosure. The Corporation will undertake to provide to each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission (the "Repository"), and if and when one is established, a state information depository for the State of New York (the "State Information Depository"), on an annual basis on or before 150 days after the end of each fiscal year of the Corporation commencing with the fiscal year ending October 31, 1998, certain financial and operating data, referred to herein as "Corporation Annual Information," including, but not limited to annual financial statements of the Corporation. In addition, the Corporation will undertake in the Disclosure Agreement, for the benefit of the holders of the 1998 Series B Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board ("MSRB"), and to the State Information Depository, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below.

The Corporation Annual Information shall consist of the following: (a) annual financial statements of the Corporation prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided, however, that if financial statements are not available in accordance with the dates described above, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Repository and to the State Information Depository when they become available; (b) a statement setting forth the amount on deposit in the Debt Service Reserve Account; (c) a statement setting forth the valuations of the Mortgage Loans with respect to each Series of Bonds; and (d) financial and operating data of the type set forth herein under the headings or subheadings "THE PROGRAM--General--Summary of Developments and Mortgage Loans," "THE PROGRAM--Bonds Outstanding Under the Program," "THE PROGRAM--Summary of Program Assets and Revenues," "SECURITY FOR THE BONDS--Cash Flow Statements and Cash Flow Certificates" (chart only), "Appendix C--Other Activities of the Corporation," "Appendix D--Development and Mortgage Loan Expected to be Financed with the Proceeds of the 1998 Series B Bonds," "Appendix E-1--Developments and Mortgage Loans Outstanding Under the Program," "Appendix E-2--Developments and Mortgage Loans Expected to be Financed with the Proceeds of the 1997 Series B Bonds, the 1997 Series C Bonds and the 1998 Series A Bonds," "Appendix E-3--Mortgage Loan Prepayment Provisions" (chart only) and "Appendix E-4--Mortgage Loan Physical Inspection Ratings" (chart only); together with (e) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Corporation and in judging the financial information about the Corporation.

Pursuant to the Disclosure Agreement, the Corporation will further undertake to use its best efforts to provide to each Repository and the State Information Depository, on an annual basis on or before 150 days after the end of each fiscal year of any Mortgagor whose payment obligations under its Mortgage Note equals or exceeds twenty percent (20%) of the aggregate payment obligations due under all outstanding Mortgage Notes, certain financial and operating data, referred to herein as "Mortgagor Annual Information," including, but not limited to annual financial statements of such Mortgagor, prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards if so required by the applicable Mortgage; provided, however, that if audited financial statements are required but not available in accordance with the dates described above, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Repository and to the State Information Depository when they become available. Currently, there are no Mortgagors whose payment obligations equal or exceed the twenty percent (20%) threshold.

The notices required to be provided by Rule 15c2-12, which the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the 1998 Series B Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 1998 Series B Bonds; (7) modification to the rights of holders of 1998 Series B Bonds; (8) 1998 Series B Bond calls, other than mandatory sinking fund redemptions; (9) defeasances of all or a portion of the 1998 Series B Bonds; (10) the release, substitution or sale of property securing repayment of the 1998 Series B Bonds and (11) rating changes; and to each Repository or to the MSRB and to the State Information Depository, in a timely manner, notice of a failure by the Corporation to provide the Corporation Annual Information or the Mortgagor Annual Information required by the Disclosure Agreement.

If any party to the Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of the 1998 Series B Bonds may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach or default under the Disclosure Agreement to provide the continuing disclosure described above is an action to compel scientific performance of the undertakings contained therein, and no person or entity may recover monetary damages thereunder under any circumstances; provided, however, that the rights of any holder of 1998 Series B Bonds to challenge the adequacy of the information provided by the Corporation are conditioned upon the provisions of the General Resolution with respect to the enforcement of remedies of holders of the 1998 Series B Bonds upon the occurrence of an Event of Default described in the General Resolution. A breach or default under the Disclosure Agreement shall not constitute an Event of Default under the General Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Disclosure Agreement, insofar as the provisions of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. Beneficial Owners of the 1998 Series B Bonds are third-party beneficiaries of the Disclosure Agreement and, as such, are deemed to be holders of the 1998 Series B Bonds of the purposes of exercising remedies.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than

general categories of financial information and operating data. Where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Disclosure Agreement, however, may be amended or modified without the consent of the holders of the 1998 Series B Bonds under certain circumstances set forth in the Disclosure Agreement.

Copies of the Disclosure Agreement, when executed and delivered by the parties thereto on the date of the initial delivery of the 1998 Series B Bonds, will be on file at the office of the Corporation.

FURTHER INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the 1998 Series B Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the General Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the General Resolution and to cause such books to be audited for each fiscal year. The General Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 1998 Series B Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 1998 Series B Bond.

Additional information may be obtained from the undersigned at 75 Maiden Lane, 8th Floor, New York, New York 10038, (212) 344-8080.

YEAR 2000 ISSUE

The "Year 2000 Problem" or "Y2K" relates to an early design flaw in computer hardware and software. The Year 2000 Problem is a concern to the Corporation and other entities because of their dependence on computers for their programmatic and financial operations. Many existing computer programs have used only two digits to identify a year, assuming that the first two digits will be "19". Unless reprogrammed, non-compliant systems will interpret the year 2000 as 1900, thus impacting both the ability to enter computer data and the ability of computer programs to correctly process data.

There are no practical manual substitutes for many of the most important computer programs which the Corporation depends upon in its daily financial operations. Therefore, failure to achieve Y2K compliance could have an adverse impact on the Corporation's operations or finances.

The Corporation has identified its critical computer programs and is currently in the process of evaluating its Y2K readiness. The Corporation's critical computer programs can be categorized as follows: (i) programs that have been created specifically for the Corporation's functions and (ii) commercially available applications. As to the Corporation's programs, one significant application has been tested and, after minimal programming changes were made, was determined to be Y2K compliant. The other critical programs of the Corporation are currently being tested and it is anticipated that major modifications will not be required to achieve compliance. The Corporation's commercial applications are in the process of being upgraded by the vendor. The vendor has represented that such upgrades will make such programs Y2K compliant. The cost of the necessary testing, updates and improvements for all of the above has been budgeted for as part of an overall upgrade of the Corporation's computer operations and is not expected

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DEFINITIONS OF CERTAIN TERMS

In some instances, the General Resolution permits the modification of certain of its provisions by a Supplemental Resolution relating to a specific Series of Bonds. Certain of such permitted modifications, which have been made with respect to the 1998 Series B Bonds by the provisions of the 1998 Series B Supplemental Resolution, are reflected in the defined terms set forth below. Prior to the issuance of the 1998 Series B Bonds, other Supplemental Resolutions authorizing other Series of Bonds have also modified certain provisions of the General Resolution with respect to the Series of Bonds authorized thereunder and such modifications (except as described in the next sentence) are not reflected in the defined terms set forth below. Certain modifications to the General Resolution, which have been made with respect to the 1996 Series A Bonds by the provisions of the Fifth Supplemental Resolution, are also reflected in the defined terms set forth below. These have been included because the outstanding principal balance of certain of the Mortgage Loans financed with the proceeds of the 1996 Series A Bonds, which Mortgage Loans are not secured by supplemental security and, in some cases, are not subsidized under any subsidy program, exceeds 5% of the aggregate outstanding principal balance of all Mortgage Loans financed under the General Resolution. This Appendix A does not purport to be comprehensive or definitive and is qualified by reference to the Resolutions and the Supplemental Resolutions relating to the Bonds issued prior to the issuance of the 1998 Series B Bonds, copies of which may be obtained from the Corporation. The following terms shall have the following meaning unless the context shall clearly indicate otherwise.

"Account" means one of the special accounts (other than the Rebate Fund) created and established pursuant to the General Resolution or a Supplemental Resolution.

"Acquired Project" shall mean a Project financed by a 1996 Series A Mortgage Loan or a 1998 Series B Mortgage Loan title or the right to possession of which has been acquired by the Corporation through protection and enforcement of its rights conferred by law or the Mortgage upon such Project.

"Acquired Project Expenses" shall mean all costs and expenses arising from the acquisition, ownership, possession, operation or maintenance of an Acquired Project, including reasonable operating, repair and replacement reserves therefor.

"Acquired Project Gross Operating Income" shall mean all monies received in connection with the acquisition, ownership, possession, operation or maintenance of an Acquired Project.

"Acquired Project Net Operating Income" shall mean Acquired Project Gross Operating Income less Acquired Project Expenses.

"Authorized Officer" means the Chairperson, Vice-Chairperson, President or any Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty.

"Bond" means one of the bonds to be authenticated and delivered pursuant to the General Resolution.

"Bond Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation and satisfactory to the Trustee.

"Bond owner" or "owner" or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

"Bond Proceeds Account" means the Bond Proceeds Account established pursuant to the General Resolution.

"Bond Year" means a twelve month period ending on the first day of November of any year.

"Cash Equivalent" means a Letter of Credit, Insurance Policy, Surety, Guaranty or other Security Arrangement (each as defined and provided for in a Supplemental Resolution providing for the issuance of Bonds rated by the Rating Agencies or in another Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from the Rating Agencies at least equal to the then existing rating on the Bonds (other than Subordinate Bonds) or whose unsecured long-term debt securities are rated at least the then existing rating on the Bonds (other than Subordinate Bonds) (or "A-1+" or "P-1," as applicable, if the Cash Equivalent has a remaining term at the time of acquisition not exceeding one year) by the Rating Agencies; provided, however, that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies.

"Cash Flow Certificate" means a Cash Flow Certificate conforming to the requirements of the General Resolution.

"Cash Flow Statement" means a Cash Flow Statement conforming to the requirements of the General Resolution.

"City" means The City of New York, a municipal corporation organized and existing under and pursuant to the laws of the State.

"Code" means the Internal Revenue Code of 1954 or 1986, each as amended from time to time, and as applicable to the Bonds pursuant to Section 1313 of the Tax Reform Act of 1986, as amended.

"Corporation" means the New York City Housing Development Corporation, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Corporation.

"Corporation Corporate Purposes" means any purpose for which the Corporation may issue bonds pursuant to the Act or other applicable law.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and

professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Credit Facility" means (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Corporation (which bank or banks must be rated by each of the Rating Agencies in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) (or "A-1+" or "P-1," as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided, however, that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Investment Securities, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which is approved by each of the Rating Agencies.

"Credit Facility Provider" means the issuer of or obligor under a Credit Facility.

"Debt Service" means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installments of such Bonds during such Bond Year.

"Debt Service Reserve Account" means the Debt Service Reserve Account established pursuant to the General Resolution.

"Debt Service Reserve Account Requirement" means as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Account Requirement for each Series of Bonds in the Supplemental Resolution authorizing the issuance of a Series of Bonds; provided, however, that a Supplemental Resolution may provide that the Debt Service Reserve Account Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through Cash Equivalents and such method of funding shall be deemed to satisfy all provisions of the General Resolution with respect to the Debt Service Reserve Account Requirement and the amounts required to be on deposit in the Debt Service Reserve Account.

"Escrow Payments" means and includes all amounts whether paid directly to the Corporation or to the servicer of any Mortgage Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to a Mortgage Loan or the mortgaged premises or payments in connection with real estate taxes, assessments, water charges, sewer rents, ground rents, fire or other insurance, replacement or operating reserves or other like payments in connection therewith.

"Event of Default" means any of the events specified in the General Resolution as an Event of Default.

"Federal Housing Commissioner" means the Secretary of the United States Department of Housing and Urban Development (or successor thereof) or the Federal Housing Commissioner of the Federal Housing Administration (or successor thereof) or a duly authorized agent thereof.

"FHA Insurance" means the federal mortgage insurance authorized pursuant to Section 220, 221(d)(3) or 221(d)(4) of Title II of the National Housing Act of 1934, as amended.

"General Resolution" means the Multi-Family Housing Revenue Bonds Bond Resolution adopted by the Corporation on July 27, 1993, and any amendments thereof or supplements thereto made in accordance with its terms.

"GNMA" means the Government National Mortgage Association.

"GNMA Security" means a mortgage-backed security guaranteed by GNMA as to payments of principal and interest.

"Government Obligations" means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

"HUD" means the United States Department of Housing and Urban Development, or any successor thereof.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

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

- (1) Government Obligations;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Farm Credit System Banks, Federal Home Loan Banks, Tennessee Valley Authority and Export-Import Bank of the United States;
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other Federal agency and backed by the full faith and credit of the United States of America;
- (4) any other obligation of the United States of America or any Federal agencies guaranteed by the full faith and credit of the United States of America which may then be purchased with funds belonging to the Corporation;
- (5) deposits in interest-bearing time or demand deposits, or certificates of deposit, secured by any of the obligations described above or fully insured by the Federal Deposit Insurance Corporation or its successor;

(6) any participation certificate of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and any mortgage-backed securities of the Federal National Mortgage Association; and

(7) any other investment permitted under the Corporation's investment guidelines adopted August 14, 1984, as amended from time to time.

"Mortgage" means a mortgage or other instrument securing a Mortgage Loan.

"Mortgage Banker" means the mortgagee of record of a mortgage loan that backs a GNMA Security.

"Mortgage Loan" means a loan, evidenced by a note, for a Project, secured by a Mortgage and specified in a Supplemental Resolution as being subject to the lien of the General Resolution; provided, that Mortgage Loan shall also mean a participation by the Corporation with another party or parties, public or private, in a loan made to a Mortgagor with respect to a Project; provided, further, that Mortgage Loan shall also mean an instrument evidencing an ownership in such loans, including, but not limited to, a mortgage backed security guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

"Mortgage Note" means the note evidencing a Mortgage Loan.

"Mortgagor" means a mortgagor with respect to any Mortgage Loan.

"Outstanding," when used with reference to Bonds, means, as of any date, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all Bonds theretofore or thereupon being authenticated and delivered under the General Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

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

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

(b) Government Obligations, as described in the Section of the General Resolution entitled "Defeasance," in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide monies in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such monies to such payment or redemption on the date so specified; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the General Resolution; and

(4) any Bond deemed to have been paid as provided in the General Resolution.

"Permitted Encumbrances" means such liens, encumbrances, reservations, easements, rights of way and other clouds on title as do not impair the use or value of the premises or such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as are specified in a Supplemental Resolution with respect to a Mortgage Loan.

"Pledged Receipts" means, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, (i) the scheduled or other payments required by any Mortgage Loan and paid to or to be paid to the Corporation from any source, including, but not limited to, interest, rent or other subsidy payments, and including both timely and delinquent payments*, (ii) accrued interest received at the sale of Bonds and (iii) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the General Resolution or a Supplemental Resolution, or monies provided by the Corporation and held in trust for the benefit of the Bond owners pursuant to the General Resolution, but shall not mean or include amounts required to be deposited into the Rebate Fund, Recoveries of Principal, any payments with respect to any Mortgage Loan received prior to the date that Revenues therefrom are pledged under the General Resolution, Escrow Payments, late charges, administrative fees, if any, of the Corporation or any amount retained by the servicer (which may include the Corporation) of any Mortgage Loan, as financing, servicing, extension or settlement fees.

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

* The Fifth Supplemental Resolution provides that, with respect to the 1996 Series A Mortgage Loans, any prepayment premium or penalty shall not constitute a Pledged Receipt. The Fifth Supplemental Resolution and the 1998 Series B Supplemental Resolution each provide that, with respect to any Acquired Project, Acquired Project Net Operating Income shall constitute a Pledged Receipt. The Fifth Supplemental Resolution provides that, with respect to the 1996 Series A Mortgage Loans, only those Section 236 interest reduction payments duly and properly paid and actually received by or on behalf of the Corporation or the Trustee shall constitute Pledged Receipts. The 1998 Series B Supplemental Resolution provides that, with respect to the 1998 Series B Mortgage Loan, amounts obtained under a letter of credit or other credit enhancement securing the 1998 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement in the event of a default on the 1998 Series B Mortgage Loan with respect to scheduled principal and/or interest payments required by the 1998 Series B Mortgage Loan shall constitute Pledged Receipts. The 1998 Series B Supplemental Resolution further provides that, with respect to the 1998 Series B Mortgage Loan, amounts obtained under the SONYMA Insurance with respect to scheduled principal and/or interest payments required by the 1998 Series B Mortgage Loan shall constitute Pledged Receipts.

"Project" means any multi-family housing development or other facility financeable by the Corporation under the Act or other applicable law and approved by the Corporation.

"Rating Agencies" means, collectively, (i) Standard & Poor's Corporation or any successor thereto ("S&P") when the Bonds are rated by S&P and (ii) Moody's Investors Service Inc. or any successor thereto ("Moody's") when the Bonds are rated by Moody's or, if neither S&P nor Moody's is maintaining a rating on the Bonds, then any other nationally recognized rating agency when the Bonds are rated by such agency, pursuant to a request for a rating by the Corporation.

"Rebate Amount" means, with respect to a particular Series of Bonds, the amount, if any, required to be deposited in the Rebate Fund in order to comply with the covenants contained in the General Resolution.

"Rebate Fund" means the Rebate Fund established pursuant to the General Resolution.

"Recoveries of Principal" means, except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, all amounts received by the Corporation as a recovery of the principal amount disbursed by the Corporation in connection with any Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor, (ii) the sale, assignment, endorsement or other disposition thereof, (iii) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (iv) proceeds of any insurance award resulting from the damage or destruction of a Project which are required to be applied to payment of a Mortgage Note pursuant to a Mortgage, (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Project or any portion thereof, which proceeds are required to be applied to payment of a Mortgage Note pursuant to a Mortgage or (vi) proceeds of any mortgage insurance or credit enhancement with respect to a Mortgage Loan which is in default."

The Fifth Supplemental Resolution provides that, with respect to the 1996 Series A Mortgage Loans, any prepayment premium or penalty shall not constitute a Recovery of Principal. The Fifth Supplemental Resolution and the 1998 Series B Supplemental Resolution each provide that, with respect to any Acquired Project, the proceeds of sale of any Acquired Project shall constitute a Recovery of Principal. The Fifth Supplemental Resolution also provides that with respect to the 1996 Series A Bonds and the 1996 Series A Mortgage Loans to be financed therefrom, the term "Recoveries of Principal" shall mean, with respect to (a) proceeds of any insurance award resulting from the damage or destruction of a Project financed by a 1996 Series A Mortgage Loan and (b) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Project financed by a 1996 Series A Mortgage Loan or any portion thereof, only those proceeds applied to the payment of the applicable Mortgage Note, whether or not required to be so applied pursuant to the applicable Mortgage. The 1998 Series B Supplemental Resolution provides that, with respect to the 1998 Series B Mortgage Loan, amounts obtained under a letter of credit or other credit enhancement securing the 1998 Series B Mortgage Loan or under any agreement entered into by the Corporation and the provider of such letter of credit or other credit enhancement in connection with the providing of such letter of credit or credit enhancement in the event of a default on the 1998 Series B Mortgage Loan, other than with respect to scheduled principal and/or interest payments required by the 1998 Series B Mortgage Loan, shall constitute Recoveries of Principal. The 1998 Series B Supplemental Resolution further provides that, with respect to the 1998 Series B Mortgage Loan, amounts obtained under the SONYMA Insurance other than with respect to scheduled principal and/or interest payments required by the 1998 Series B Mortgage Loan shall constitute Recoveries of Principal.

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

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

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

"Revenue Account" means the Revenue Account established pursuant to the General Resolution.

"Revenues" means the Pledged Receipts and Recoveries of Principal.

"Series" means any Series of Bonds issued pursuant to the General Resolution.

"Sinking Fund Payment" means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation.

"SONYMA" means the State of New York Mortgage Agency, a corporate governmental agency of the State of New York constituting a political subdivision and public benefit corporation established under the SONYMA Act.

"SONYMA Act" means the State of New York Mortgage Agency Act, constituting Chapter 612 of the Laws of New York, 1970, as amended.

"SONYMA Insurance" means the mortgage insurance for multi-family rental housing developments authorized pursuant to the SONYMA Act.

"State" means the State of New York.

"Subordinate Bonds" means any Bonds which, pursuant to the Supplemental Resolution authorizing such Bonds, are secured by a subordinate charge and lien on the Revenues and assets pledged under the General Resolution.

"Supplemental Resolution" means any resolution supplemental to or amendatory of the General Resolution, adopted by the Corporation and effective in accordance with the General Resolution.

"Trustee" means the trustee designated as Trustee in the General Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the General Resolution.

**FINANCIAL STATEMENTS OF
THE CORPORATION FOR FISCAL
YEAR ENDED OCTOBER 31, 1997 INCLUDING
AS SCHEDULE 1 SUPPLEMENTAL INFORMATION
RELATED TO THE HOUSING REVENUE BOND PROGRAM**

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Independent Auditors' Report

To the Members of the New York City Housing Development Corporation:

We have audited the accompanying combined balance sheet of the New York City Housing Development Corporation (the 'Corporation'), as of October 31, 1997, and the related combined statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 1997, and the results of its operations, the changes in its fund balances and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG Peat Marwick LLP

January 29, 1998

Combined Balance Sheet

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

		Housing	Housing	Housing	Residential	Combined Total	
		Development	Assistance	New York	Mortgage	1997	1996
		Corporation	Corporation	Corporation	Corporation		
		Programs	Programs	Programs	Programs		
Assets							
Cash	\$	246,263	-	4	6	246,273	614
Investments (note 4)		662,138	28,104	29,304	28,543	748,089	627,998
Total Cash and Investments		908,401	28,104	29,308	28,549	994,362	628,612
Receivables:							
Mortgage loans (note 5)		2,075,776	44,165	-	-	2,119,941	1,984,390
Accrued interest		13,692	1,454	-	-	15,146	14,575
Sale of mortgages		3,921	-	-	-	3,921	4,382
Other (note 6)		19,803	-	197,988	-	217,791	216,927
Total Receivables		2,113,192	45,619	197,988	-	2,356,799	2,220,274
Unamortized issuance costs		13,806	-	2,319	-	16,125	15,265
Due from (to) other funds		(3,661)	3,951	(8)	(282)	-	-
Fixed assets		276	-	-	83	359	111
Other assets (note 5)		28,080	-	-	2	28,082	29,154
Total Assets	\$	3,060,094	77,674	229,607	28,352	3,395,727	2,893,416

Liabilities and Fund Balances

Liabilities:							
Bonds payable (note 7)	\$	2,276,965	-	230,721	-	2,507,686	2,126,225
Net discount on bonds payable		(1,762)	-	(9,641)	-	(11,403)	(12,068)
Accrued interest payable		42,562	-	6,710	-	49,272	43,214
Payable to the City of New York (note 9)		126,849	77,674	774	-	205,297	160,599
Payable to mortgagors		128,439	-	-	-	128,439	109,993
Restricted earnings on investments		1,585	-	-	-	1,585	1,222
Accounts and other payables		1,144	-	-	163	1,307	791
Deferred fee and mortgage income		37,247	-	-	-	37,247	32,909
Due to the United States Government (note 11)		4,481	-	-	-	4,481	2,169
Total Liabilities		2,617,510	77,674	228,564	163	2,923,911	2,465,054
Fund balances:							
Restricted		340,127	-	-	28,189	368,316	330,355
Unrestricted		102,457	-	1,043	-	103,500	98,007
Total Fund Balances		442,584	-	1,043	28,189	471,816	428,362
Commitments and Contingencies (notes 12 & 13)							
Total Liabilities and Fund Balances	\$	3,060,094	77,674	229,607	28,352	3,395,727	2,893,416

See accompanying notes to the combined financial statements.

Combined Statement of Revenues and Expenses

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
				1997	1996

Revenues

Interest on loans (note 5)	\$ 130,243	-	-	-	130,243	126,516
Earnings on investments (note 4)	23,934	-	2,134	2,039	28,107	28,963
Fees and charges (note 11)	6,924	-	97	261	7,282	6,992
Other (note 6)	42	-	14,311	-	14,353	14,397
Total Revenues	161,143	-	16,542	2,300	179,985	176,868

Expenses

Interest and amortization (note 7)	108,940	-	16,188	-	125,128	125,400
Salaries and related expenses	5,538	-	-	406	5,944	5,445
Services of New York City	335	-	-	-	335	335
Trustees' and other fees	1,291	-	77	40	1,408	1,407
Amortization of debt issuance costs	927	-	150	-	1,077	882
Corporate operating expenses (note 8)	1,150	-	-	169	1,319	1,478
Non-operating expenses (note 9)	1,195	-	-	-	1,195	2,520
Total Expenses	119,376	-	16,415	615	136,406	137,467

Excess of Revenues Over Expenses	41,767	-	127	1,685	43,579	39,401
Operating Transfers to Corporate Services Fund	144	-	-	(144)	-	-

Excess of Revenues Over Expenses after Operating Transfers	\$ 41,911	-	127	1,541	43,579	39,401
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Allocation of Excess of Revenues Over Expenses:

Restricted fund balance	23,367	-	-	1,541	24,908	21,267
Unrestricted fund balance	18,544	-	127	-	18,671	18,134
Total	\$ 41,911	-	127	1,541	43,579	39,401

See accompanying notes to the combined financial statements.

Combined Statement of Changes in Fund Balances

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
				1997	1996

Restricted

Balance at beginning of year	\$ 303,707	-	-	26,648	330,355	306,837
Excess of revenues over expenses after						
Operating Transfers	23,367	-	-	1,541	24,908	21,267
Net transfers from (to) unrestricted fund balances	13,053	-	-	-	13,053	2,251
Balance at End of Year	340,127	-	-	28,189	368,316	330,355

Unrestricted

Balance at beginning of year	96,966	-	1,041	-	98,007	82,124
Excess of revenues over expenses after						
Operating Transfers	18,544	-	127	-	18,671	18,134
Distributions to New York City	-	-	(125)	-	(125)	-
Net transfers from (to) restricted fund balances	(13,053)	-	-	-	(13,053)	(2,251)
Balance at End of Year	102,457	-	1,043	-	103,500	98,007
Total Fund Balances at End of Year	\$ 442,584	-	1,043	28,189	471,816	428,362

See accompanying notes to the combined financial statements.

Combined Statement of Cash Flows

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

New York City
Housing Development
Corporation
1997 Financial Statements

Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
				1997	1996

Cash Flows From Operating Activities

Excess of revenues over expenses after operating transfers	\$	41,911	-	127	1,541	43,579	39,401
Net adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities (note 2)		2,754	(1,701)	2,961	(43)	3,971	2,290
Changes in assets and liabilities:							
Net change in accrued bond interest payable		6,058	-	-	-	6,058	(1,880)
Net change in investment interest receivable		(1,760)	1	(1)	(9)	(1,769)	1,216
Net change in accrued earnings payable to mortgagors		1,003	-	-	-	1,003	(4,505)
Net change in accrued earnings payable to the City of New York		7,092	1,925	(29)	-	8,988	9,560
Net change in other assets		(21)	-	-	(2)	(23)	(28,943)
Net change in accounts and other payables		414	-	-	35	449	44
Net change in accrued mortgage and loan interest receivable		(669)	(170)	-	-	(839)	(704)
Net change in other receivables		415	-	-	-	415	54
Net change in receivable from Battery Park City		-	-	(8,608)	-	(8,608)	(2,992)
Net change in servicing fee receivable		19	-	-	-	19	9
Net transfers between programs		(105)	-	-	105	-	-
Net change in deferred bond refunding costs		(302)	-	-	-	(302)	(2,306)
Net change in due to the United States Government		382	-	-	-	382	366
Total Changes in Assets and Liabilities		12,526	1,756	(8,638)	129	5,773	(30,081)
Restricted earnings on investments		363	-	-	-	363	(280)
Loan principal payments received		32,364	-	-	-	32,364	31,595
Mortgage and loan advances		(160,483)	-	-	-	(160,483)	(123,564)
Receipt of mortgagor and other escrows		225,753	-	-	-	225,753	142,140
Deferred commitment and financing fees		3,047	-	-	-	3,047	1,551
Disbursements of mortgagor escrows		(89,837)	-	-	-	(89,837)	(75,368)
Disbursements to the City of New York		(81,648)	(2,424)	(127)	-	(84,199)	(77,489)
Issuance costs		(1,904)	-	-	-	(1,904)	(2,794)
Other (Net)		(142)	-	-	-	(142)	-
Total Adjustments to Reconcile Excess of Revenues Over Expenses		(57,207)	(2,369)	(5,804)	86	(65,294)	(132,000)
Net Cash Provided by (Used In) Operating Activities	\$	(15,296)	(2,369)	(5,677)	1,627	(21,715)	(92,599)

See accompanying notes to the combined financial statements.

Combined Statement of Cash Flows

New York City
Housing Development
Corporation
1997 Financial Statements

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
				1997	1996

Cash Flows From Non-Capital Financing Activities

Proceeds from sale of bonds	\$ 433,460	-	-	-	433,460	371,465
Retirement of bonds	(55,092)	-	-	-	(55,092)	(253,819)

Net Cash Provided by (Used In) Non-Capital Financing Activities	\$ 378,368	-	-	-	378,368	117,646
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Cash Flows From Capital Financing Activities

Purchase of fixed assets	(250)	-	-	(80)	(330)	(20)
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Net Cash Provided by (Used In) Capital Financing Activities	\$ (250)	-	-	(80)	(330)	(20)
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Cash Flows From Investing Activities

Sale of investments, at cost	10,273,709	63,377	199,965	24,508	10,561,559	12,881,084
Purchase of investments	(10,390,878)	(61,008)	(194,287)	(26,050)	(10,672,223)	(12,906,498)

Net Cash Provided by (Used In) Investing Activities	\$ (117,169)	2,369	5,678	(1,542)	(110,664)	(25,414)
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Increase (decrease) in cash	245,653	-	1	5	245,659	(387)
Cash at beginning of year	610	-	3	1	614	1,001

Cash at End of Year	\$ 246,263	-	4	6	246,273	614
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See accompanying notes to the combined financial statements.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation of the State of New York (the "State"). The Corporation is also a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, ("Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding. The Corporation was created to encourage the investment of private capital through low-interest mortgage loans and to provide safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, the Corporation is empowered to, among other things, finance new construction and housing rehabilitation and to provide permanent financing for multifamily residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934, as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances most of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity (see notes 3 B, C and D). Pursuant to Government Accounting Standards Board Statement No. 14 "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes. Within the City's financial statements, the Corporation is included under the category of Housing and Economic Development Enterprise Funds.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting in that each program's assets, liabilities and fund balances are accounted for as separate entities. Each program utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Other significant accounting policies are:

A. Investments

Investments, which consist principally of securities of the United States and its agencies, certificates of deposit ("CDs"), repurchase agreements and open time deposits ("OTDs"), are carried at amortized cost, which approximates market, plus accrued interest (see note 4).

B. Earnings on Investments

Earnings on investments include interest income, gain and loss realized on investment sales and amortization of investment discount and premium. Investment earnings on monies held for the City, project Reserves for Replacement and certain other project escrows are not included in the Corporation's revenues, rather, they are reported in the Combined Balance Sheet as payable to the City or payable to mortgagors.

C. Debt Issuance Costs and Bond Discount

Debt issuance costs and bond discount are amortized over the life of the related bond and note issues using the effective yield method.

D. Operating Transfers

Transfers from the various programs to the Corporate Services Fund represent (i) fees earned by the Corporation for administering its respective programs and (ii) escrow funds and excess investment earnings neither required by the programs nor returnable to the mortgagors.

E. Restricted Earnings on Investments

Restricted earnings on investments represent the cumulative amount by which pass-through program revenues exceed expenses. Such amounts are recorded as restricted liabilities since they represent accumulated excess investment earnings that, under the terms of the bond resolutions and mortgage loan documents, are expected to be credited to the mortgagors.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

F. Amortization of Fixed Assets

Leasehold improvements and fixed assets are amortized over their useful lives using the straight-line method.

G. Fees and Charges

Commitment and financing fees are recognized on the accrual basis over the life of the related mortgage.

H. Statement of Cash Flows - Supplemental Disclosure

For purposes of the Combined Statement of Cash Flows, the Corporation excludes all investments from cash equivalents. Bond interest paid during fiscal year 1997 for the Corporation and HNYC was \$101,284,000 and \$13,421,000, respectively. The following schedule details the net adjustments to reconcile excess of revenues over expenses after operating transfers to net cash provided by (used in) operating activities for the year ended October 31, 1997, with comparative combined totals for 1996:

	Total HDC	Total HAC	Total HNYC	Total REMIC	Combined 1997	Totals 1996
(in thousands)						
Amortization of:						
Debt Issuance Costs	\$ 927	-	150	-	1,077	879
Original Bond Issue						
Discount and Premium	142	-	522	-	664	567
Investment Discount and Premium	(130)	(1,701)	44	(52)	(1,839)	(2,546)
Mortgage Discount and Premium	(160)	-	-	-	(160)	(155)
Deferred Fec and Mortgage Income	544	-	-	-	544	(44)
Deferred Bond Refunding Costs	1,359	-	2,245	-	3,604	3,513
Depreciation and Amortization	72	-	-	9	81	76
Total Adjustments	\$ 2,754	(1,701)	2,961	(43)	3,971	2,290

Included in the caption Disbursements to The City of New York on the Combined Statement of Cash Flows is an amount of \$77,236,000 which represents mortgage advances made in accordance with servicing agreements entered into with the City within the Corporation's Development Services Program ("DSP") (see notes 5 & 9). For HNYC this caption includes \$127,000 of mortgage and loan advances.

I. Allowance for Credit Losses

The Corporation's mortgage loan portfolio is extensively secured (see note 5), and, as such, the Corporation believes that the likelihood of experiencing credit losses relating to its bonded mortgage programs is remote and therefore material charges against income will not be required.

J. Combined Financial Presentation

For purposes of financial statement presentation, the accounts of certain programs have been combined as follows:

(i) New York City Housing Development Corporation:

(a) Multi-Family Bond Programs:

1. General Housing
2. Section 223(f)
3. Housing Revenue Bond Program
4. 80/20
5. Hospital Residence
6. Residential Cooperative Housing

(b) Corporate Services Fund

(ii) Housing Assistance Corporation

(iii) Housing New York Corporation

(iv) New York City Residential Mortgage Insurance Corporation

Certain of the summarized programs listed above are comprised of the discrete bond programs presented in the bonds payable table in note 7.

K. Deferred Bond Refunding Costs

The Corporation follows Governmental Accounting Standards Board's Statement 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities. This statement requires that gains or losses arising from debt refundings be deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt. Note 7: Bonds Payable, describes these refundings.

L. Combined Total

The combined total data is the aggregate of the Corporation and its component units (subsidiaries). No eliminations were required to be made in arriving at the totals.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

M. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with Generally Accepted Accounting Principles. Actual results could differ from those estimates.

Note 3: Description of Programs and Corporate Services Fund

(A) New York City Housing Development Corporation

The Corporation operates two separate major programs. One program is governed by the Corporation's respective bond resolutions and the other program concerns its Corporate Services Fund.

(i) Multi-Family Bond Programs:

(a) General Housing

The General Housing Bond Program was established when the Corporation was created. A Capital Reserve Fund was established as additional security for the bondholders. Prior to September 10, 1996, the City had a moral obligation to restore the fund to the minimum reserve requirement. On September 10, 1996, the General Housing bonds were refunded and the Corporation issued the Multi-Family Housing Revenue Bonds, 1996 Series A, under the Housing Revenue Bond Program (see note 7). On this date the Capital Reserve Fund ceased to exist and the City's moral obligation was terminated.

(b) Section 223(f)

The Multifamily and 1991 Multi-Unit Refunding Bond Programs were originally established in 1977 and 1980, respectively, in connection with the refinancing of 81 existing multifamily housing projects which had been financed by Mitchell-Lama mortgage loans payable to the City.

(c) Housing Revenue Bond Program

Under the Housing Revenue Bond Program, the Corporation issues bonds payable solely from assets held under the Housing Revenue Bond Resolution. Currently, the program includes Federal Housing Administration ("FHA") insured mortgage loans, State of New York Mortgage Agency ("SONYMA") insured mortgage loans, Government Na-

tional Mortgage Association ("GNMA") mortgage-backed securities and other mortgage loans.

The bond issues are secured by the revenues earned on the loans, securities and other pledged assets including Section 8 rental subsidy payments funded under the United States Housing Act of 1937, as amended, and Section 236 interest reduction subsidies under Section 236 of the National Housing Act of 1934, as amended.

The 1993 Series A & B Bonds refinanced four bond issues which provided construction and permanent financing of 35 Section 8 assisted multifamily housing projects.

The 1994 Series A Bonds were issued to provide permanent financing for newly rehabilitated Participation Loan Program ("PLP") multifamily rental buildings.

The 1995 Series A Multi-Family Housing Revenue Bonds were issued to refund the 1985 First Series Multi-Family Housing Bonds (FHA Insured Mortgage Loans), the 1985 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage Backed Securities) and the 1985 First Series Insured Multi-Family Mortgage Revenue Bonds.

The 1996 Series A Multi-Family Housing Revenue Bonds were issued to refund the General Housing Bonds (see note 7).

On June 19, 1997, the Corporation issued the 1997 Series A & B Multi-Family Housing Revenue Bonds to refund the 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities) and to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments.

On October 15, 1997, the Corporation issued the 1997 Series C Multi-Family Housing Revenue Bonds to finance a portion of the permanent mortgage loans in connection with the rehabilitation of thirty-four and the new construction of one multifamily rental housing developments.

(d) 80/20

The bonds under this program were issued to provide funds for the construction and/or permanent financing for multifamily housing projects. A portion of the projects in this program provide or will provide a mixture of market rate apartments (up to 80 percent) and apartments for low and moderate income tenants (at least 20 percent, or in certain cases at least 15 percent) as required by the Internal Revenue Code and as authorized by Section 654(23-c) of the New York State Private Housing Finance Law. In certain projects, all of the apartments are set aside for low and moderate-middle income tenants.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

(e) Hospital Residence

The bonds under this program were issued to provide financing for residential facilities for hospital staff.

(f) Residential Cooperative Housing

The bonds under this program were issued to provide a portion of the permanent financing for residential housing cooperative programs.

Multi-Family bonds listed above are secured through one or more of the following mechanisms: pledged receipts of the scheduled mortgage payments and investments, bank letters of credit, FHA mortgage insurance, SONYMA mortgage insurance, bond insurance, GNMA mortgage-backed securities or a Federal National Mortgage Association ("Fannie Mae") collateral agreement, all specified in the respective bond resolutions.

(ii) Corporate Services Fund:

This fund accounts for (i) fees and earnings transferred from the programs described above; (ii) Section 8 administrative fees; (iii) fees earned on loans serviced for the City; (iv) income from Corporate Services Fund investments; (v) payment of the Corporation's operating expenses; and (vi) the Dedicated Account (see note 5(A)(ii)).

(B) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation of the State established pursuant to Section 654-b of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HAC is to continue in existence until terminated by law; provided, however, that no such termination shall take effect as long as its obligations remain outstanding. Upon termination of HAC, all of its rights and properties shall pass to and be vested in the City.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments.

(C) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation of the State established pursuant to Section 654-c of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HNYC shall remain in existence until terminated by law; provided, however, that no such termination shall take effect as long as obligations of HNYC remain outstanding, unless adequate provision has been made for the payment thereof. Upon termination of the existence of HNYC, all of its rights and properties shall pass to and be vested in the City.

The proceeds of the obligations of HNYC were used to finance the Housing New York Program, a joint effort of the City and the State, created for the purpose of providing residential housing facilities for low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HNYC granted monies to the City to finance the aforementioned residential housing facilities. The obligations of HNYC are to be repaid out of assigned excess revenues generated by development at Battery Park City. These revenues consist of excess cash flow to the Battery Park City Authority ("BPCA") resulting from rental and other payments under leases with private owners. HNYC is also authorized and empowered to receive monies from the Corporation, the BPCA, any other public benefit corporation, the federal government or any other source. The bonds of HNYC are not a debt of the State, the BPCA, the City or the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

Revenue Bond Program:

The proceeds of the Bonds were used to finance the initial phase of the Housing New York Program. The City used these monies to fund all or a portion of the substantial rehabilitation and/or construction of approximately 1,557 residential housing units and related facilities in the boroughs of Manhattan and The Bronx.

(D) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the New York State Private Housing Finance Law as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Corporation ("Old REMIC") which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations. REMIC is to continue in existence until terminated by law; provided, however, that no such law shall take effect so long as contracts to insure mortgages, commitments to insure, or other obligations remain outstanding, unless adequate provision has been made for the payment thereof. Upon termination of REMIC, all of its rights and properties shall pass to and be vested in the Corporation.

REMIC is required to maintain certain reserves, one of which is the housing insurance fund which shall be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts. The housing insurance fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The housing insurance fund requirement at October 31, 1997 is \$8,611,000.

REMIC must also maintain a mortgage insurance fund which shall also be used as a revolving fund solely for the payment of liabilities arising from mortgage insurance contracts which are contracts of the Old REMIC or contracts based on commitments of the Old REMIC. The mortgage insurance fund requirement as of any particular date shall be an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to mortgage insurance contracts, plus (ii) an amount equal to the greater of (A) \$7,500,000 or (B) twenty percent of the sum of the insured amounts under mortgage insurance contracts and the amounts to be insured under commitments to insure. The mortgage insurance fund requirement at October 31, 1997 is \$7,500,000.

Any income or interest earned on the funds described above due to the investment of those funds in excess of their respective requirements shall be transferred at least annually to the premium reserve fund described below.

A premium reserve fund must also be maintained for the purpose of providing for the payment of REMIC's liabilities

arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 1997 is \$11,915,000.

Note 4: Investments and Deposits

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. HAC, HNYC and REMIC are authorized to engage in investment activities pursuant to Section 654-b, Section 654-c and Section 654-d of the New York State Private Housing Finance Law, respectively, and in the case of HNYC, its bond resolution. Investment policies are set by the Members of the Corporation, HAC, HNYC and REMIC. These policies are carried out on an ongoing basis by the Corporation's Investment Committee. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, CDs, OTDs and repurchase agreements. Neither HDC, HAC, HNYC nor REMIC entered into any reverse repurchase agreements. According to management, the Corporation and its subsidiaries were not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis.

During fiscal year 1997, investment gains amounted to \$283,000 while losses amounted to \$1,000. At October 31, 1997, the market value including accrued interest exceeded the amortized cost basis of the portfolio by \$15,012,000.

Fixed repurchase agreements amounted to \$163,750,000 and are held pursuant to written master repurchase agreements which permit liquidation of the applicable securities in the event of a default. Maturities range from 3 to 33 days. Margin requirements are 101% for overnight repurchase agreements and 102% for repurchase agreements maturing up to 34 days, all of which are priced daily. These agreements are used to provide short term liquidity.

In addition to cash deposits, funds were invested in OTDs, Money Market and NOW accounts. Funds deposited into Money Market and NOW accounts were Section 8 Annual Contract Contribution funds received from the United States Department of Housing and Urban Development ("HUD"). These deposits as well as any other HUD deposits in the applicable bank are Federal Deposit Insur-

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

ance Corporation ("FDIC") insured in an amount up to \$100,000 collectively. Various bond programs and the Corporate Services Fund have invested in OTDs and Money Market accounts.

Bond programs hold the OTDs. During the fiscal year, HDC entered into five OTD agreements. At October 31, 1997, the cost basis of all unsecured OTDs amounts to \$88,284,000. The cost basis of \$1,548,000 in OTDs were collateralized by securities held by the respective bond program's trustee. OTDs have a total cost basis including accrued interest of \$89,832,000 and a bank balance of \$89,340,000. Interest rates on all OTDs range from 3.45% to 6.29%. Maturity dates range from January 29, 1999 to April 30, 2011.

The interest rates under three revolving term repurchase agreements range from 6.16% to 6.6% with maturity dates that range from May 1, 2012 to April 1, 2030. Margin requirements under these agreements are 103% with weekly pricing of securities. These investments with a cost basis of \$60,820,000 are included in the caption Term Repurchase Agreements in the following table. HDC also continued investing in two variable interest rate term repurchase agreements, which amount to \$2,603,000 and \$7,403,000, respectively. Interest rates on all other remaining repurchase agreements range from 3.57% to 5.945%. Maturity dates on all other remaining fixed and term repurchase agreements range from November 3, 1997 to February 9, 2002.

Freddie Mac Notes amount to \$41,225,000 with maturity dates ranging from December 21, 1998 to May 21, 2002. Yield rates on these investments range from 5.74% to 7.06%. Federal Farm Credit Notes amount to \$1,003,000 with a maturity date of October 15, 1998 and a yield rate of 6.28%.

Combined cash deposits total \$246,273,000 at October 31, 1997. Of this total, \$241,162,000 of proceeds from bonds sold on October 31, 1997, was temporarily held in cash at the direction of the respective mortgagors and Fannie Mae due to the unavailability of United States Treasury securities with maturities corresponding to the cash flow requirements of the respective bond programs. These accounts were maintained with bond trustees as well as with major commercial banks. HDC's cash deposits amounting to \$1,928,000 are FDIC insured, while \$26,000 of the City's Department of Housing Preservation and Development ("HPD") funds held for the City are collectively insured with other City funds in an amount up to \$100,000. HNYC's cash balances totaled \$4,000 of which \$1,000 is FDIC insured in accounts pledged to bondholders. The remaining funds are payable to HPD and are included in the amount insured above. REMIC's cash deposits totaled \$6,000, all of which are fully insured.

At October 31, 1997, investments held in the Corporation's name by the Corporation, its agents and bond trustees follow in the table below. The current market value column includes accrued interest.

Security	Total Cost	Current Market Value	Excess of Market Value Over Cost
(in thousands)			
U.S. Treasury Bonds	\$ 65,394	77,529	12,135
U.S. Treasury Bills	83,318	83,436	118
U.S. Treasury Notes	165,046	166,631	1,585
U.S. Treasury Strips	27,712	28,874	1,162
Fixed Repurchase Agreements	163,750	163,750	-
G.N.M.A.	36,107	36,107	-
Open Time Deposits	89,832	89,832	-
Term Repurchase Agreements	70,826	70,826	-
Freddie Mac Notes	41,225	41,235	10
Federal Farm Credit Notes	1,003	1,005	2
Money Market and NOW Accounts	3,876	3,876	-
Totals	\$748,089	763,101	15,012

Note 5: Mortgage and Other Loans

A general description of the mortgage and other loans in each of the programs follows:

(A) New York City Housing Development Corporation

(i) Multi-Family Bond Programs:

(a) General Housing

The mortgages are first liens on the respective properties. Three of the six projects receive interest reduction subsidies under Section 236 of the National Housing Act of 1934, as amended, from HUD.

On September 10, 1996, the Corporation refunded the General Housing bonds. The mortgages securing them were transferred to the 1996 Series A Bond Program within the Housing Revenue Bond Program.

(b) Section 223(f)

The mortgages were assigned to the Corporation by the City and subsequently modified, divided and recast into (a) FHA-insured first mortgages, to be serviced by the Corporation; and (b) subordinate non-insured second mortgages which were reassigned to the City. The mortgages are first liens on

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

the respective properties. Thirty-two of the seventy-nine projects receive interest subsidies under Section 236 from HUD.

On June 1, 1996, the City sold 37 of the subordinate non-insured second mortgages to State Street Bank and Trust Company as Trustee of the NYC Mortgage Loan Trust. Simultaneously, the Corporation entered into a Real Estate Mortgage Investment Conduit Pooling and Servicing Agreement with the City and State Street Bank and Trust Company. Under this agreement the Corporation is responsible for servicing these 37 second mortgages. The Corporation earns a fee for servicing these loans.

With respect to the 223(f) Program, (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which are excluded from the Combined Statement of Revenues and Expenses) through April 30, 1996 formerly were payable to the City. Since May 1, 1996 all program revenues have been retained by the Corporation as all future cash flows were purchased by the Corporation for \$21,000,000 in fiscal year 1996.

With respect to the 1991 Multi-Unit Refunding Bond Program, the earnings on certain restricted funds (which are also excluded from revenues) through April 30, 1996 were payable to the City. Since May 1, 1996 all program revenues will be retained by the Corporation as all amounts remaining due to the City were purchased by the Corporation for \$11,000,000.

Through April 30, 1996, these funds were paid to the City by the Corporate Services Fund. Since May 1, 1996, amounts representing future excess cash flows have been amortized in the Corporate Services Fund over the remaining program life using the yield method. Amortization for fiscal year 1997 amounted to \$1,086,000 and is included by the Corporate Services Fund as non-operating expenses. The unamortized portion of these payments is included under the caption Other Assets in the Combined Balance Sheet. Amounts previously recorded as non-operating expenses in the 223(f) Program and the Multi-Unit Program have been included in operating transfers as of May 1, 1996, and will inure net of amortization to the Corporation.

(c) Housing Revenue Bond Program

Under the Housing Revenue Bond Program, mortgage loans made to the projects refinanced under the 1993 Series A & B bond issues are FHA-insured, and include various construction costs, bond issuance costs and capitalized accrued interest. These projects receive housing assistance payments on behalf of the tenants pursuant to Section 8.

The 1994 Series A Bonds were issued to finance first mortgage loans for projects that have been or will be rehabilitated under HPD's Participation Loan Program under which HPD will fund subordinate mortgages.

During 1995 the Corporation refinanced two bond issues secured by mortgage loans. One bond issue had provided funds for FHA-insured mortgage loans, while the other issue had provided funds for SONYMA insured mortgage loans.

On September 10, 1996, the Corporation issued the 1996 Series A Multi-Family Housing Revenue Bonds to refund the General Housing Bonds. The existing mortgages that secured the General Housing Bonds were transferred at cost. The bond refinancing is further described in Note 7: Bonds Payable.

On June 19, 1997, the Corporation issued the 1997 Series A Multi-Family Housing Revenue Bonds to refund the 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities). The existing mortgages and GNMA Mortgage-Backed Securities that secured the 1987 bonds were transferred at cost. The bond refinancing is further described in Note 7: Bonds Payable.

On June 19, 1997, the Corporation issued the 1997 Series B Multi-Family Housing Revenue Bonds to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments.

On October 15, 1997, the Corporation issued the 1997 Series C Multi-Family Housing Revenue Bonds to finance permanent mortgage loans in connection with the rehabilitation of thirty-four multifamily rental housing developments and the new construction of one multifamily rental housing development.

(d) 80/20

The mortgage loans made to the projects in this program financed various construction costs, bond issuance costs and capitalized accrued interest.

The mortgage loans under two programs are FHA-insured and are held and serviced by the Corporation. Currently, the mortgage loans under one program are insured under the SONYMA insurance program. The mortgage loans under two programs are secured by Fannie Mae pledged collateral pursuant to a collateral agreement. The loans under fourteen of the programs are held or serviced by the financial institution providing the credit enhancement for the respective bond program. The mortgage loan under one program is insured by REMIC.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

On December 17, 1996, the Corporation issued the 1996 Series A & B Multi-Family Mortgage Revenue Bonds to finance a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 520 West 43rd Street.

On December 24, 1996, the Corporation issued the 1996 Series A Multi-Family Mortgage Revenue Bonds to finance a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 189 West 89th Street.

On December 30, 1996, the Corporation issued the 1996 Series A Multi-Family Mortgage Revenue Bonds to refinance a portion of the Corporation's outstanding Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1995 Series B. A portion of the mortgage was transferred at cost to the 1996 bond program.

On June 19, 1997, the Corporation refunded the 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities). The mortgages and GNMA Mortgage-Backed Securities securing them were transferred to the 1997 Series A Bond Program within the Housing Revenue Bond Program.

Certain projects receive subsidies on behalf of the eligible tenants through either Section 8 housing assistance payments or HAC funds.

(e) Hospital Residence

The mortgage loan advances made to three projects include various acquisition and construction costs, bond issuance costs and capitalized accrued interest. Under one program, the mortgagor provided the bond trustee with a non-cancelable policy of insurance from the Municipal Bond Investors Assurance Corporation ("MBIA") which guarantees the payment of bond debt service. The loans under the remaining two programs are held and serviced by the financial institution providing the credit enhancement for the respective bond program.

(f) Residential Cooperative Housing

The mortgage loans provide permanent financing for four bond issues. The loans under this program are serviced by the Corporation and insured by the SONYMA insurance program.

On December 19, 1996, the Corporation issued its Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, to fund a mortgage loan which will provide a portion of the

permanent financing for Maple Plaza Cooperative.

(ii) Other Loans:

Development Services Program:

In 1987, the DSP was created to assist the City in implementing its many housing programs for low, moderate and middle income residents. As of October 31, 1997, the DSP consists of eight subprograms. The source of funding for the DSP is certain corporate reserves which have been set aside in a separate account, the Dedicated Account, which is included in the Corporate Services Fund. Loans made under the DSP are either interest free or have low interest rates. The Corporation's role in seven subprograms involves the lending of the funds on deposit in the Dedicated Account. In the other subprogram, the Corporation has servicing responsibilities with regard to loans made by HPD (see note 12).

(B) Housing Assistance Corporation

(i) Mortgage Loans:

Mortgage loan advances made to eight projects include various construction costs and capitalized accrued interest. Certain mortgages are second liens on buildings which have been rehabilitated. These NYC funded loans accrue interest at the rate of 1% per annum although payments are not due for approximately twenty years from the dates of the loans. Other first and subordinate mortgage loans were made to fund certain expenses of constructing new projects. The secondary loans bear no interest for approximately twenty-five years from completion of construction and then bear interest at a rate of 1% per annum.

HAC had funded an 8.5% FHA-insured first mortgage loan in the amount of \$2,193,000 and a 1% subordinate mortgage loan in the amount of \$3,952,000 for Astoria Towers. To facilitate the processing of FHA insurance, the Corporation originally held the first mortgage loan within the Corporate Services Fund on behalf of HAC. On May 31, 1996, the Corporation purchased HAC's interest in the first mortgage from the City at a premium of \$51,000. This premium is included in the mortgage and loan advances captioned on the Combined Statement of Cash Flows. At October 31, 1997, the loan balances were \$1,977,000 and \$3,952,000, respectively.

(ii) Subsidy:

Certain projects receive tenant assistance payments on behalf of the eligible tenants.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Note 6: Other Receivables

(A) New York City Housing Development Corporation

Other Receivables amounts to \$19,803,000 which represents commitment and financing fees, servicing fees, Reserve for Replacement loans and Corporate Services Fund Other Loans described in note 5.

(B) Housing New York Corporation

Other Receivables amounts to \$197,988,000, which represents \$142,728,000 in funds advanced to the City through October 31, 1997 in accordance with the 1993 Series A Revenue Bond Resolution. The City used these monies to reimburse itself for the costs incurred in connection with the substantial rehabilitation of residential housing and related facilities in Manhattan and the Bronx under the Housing New York Program. For a description of the manner in which advances made to the City will be repaid see note 3C. The remaining balance of \$55,260,000 represents funds used to cover debt service. On May 1, 1993, HNYC began to require payment of assigned excess revenues from the BPCA on each debt service date in amounts necessary to cover bond principal and interest and HNYC trustee fees. Amounts recorded under the caption Other Revenues on the Combined Statement of Revenues and Expenses are used to cover program expenses.

Note 7: Bonds Payable

(A) New York City Housing Development Corporation

The Corporation's authority to issue bonds and notes for any corporate purpose is limited to the extent that (i) the aggregate principal amount outstanding may not exceed \$2.8 billion, exclusive of refunding bonds or notes, and (ii) the maximum Capital Reserve Fund requirement may not currently exceed \$30 million. As a result of the refunding of the General Housing Bonds, no bonds are currently subject to the Capital Reserve Fund requirement.

(i) Multi-Family Bond Programs:

(a) General Housing

The bonds of the General Housing Program were general

obligations of the Corporation. Substantially all of the programs' assets were pledged as collateral for the bonds.

On September 10, 1996, the bonds of the General Housing Bond Program were refunded when the Corporation issued its 1996 Series A bonds under the Housing Revenue Bond Program.

(b) Section 223(f)

The bonds of the Multifamily Housing Bond Program are special limited obligations of the Corporation. The primary security for the bonds is the federal mortgage insurance obtained at the time the mortgages were assigned from the City. Principal and interest are paid only from the monies received for the account of the insured mortgage securing that series, including payments made by, or on behalf of, the mortgagor or HUD.

The 1991 Multi-Unit Mortgage Refunding Bonds are special revenue obligations of the Corporation secured solely by a pledge of the FHA-insured mortgage loans and the program's assets, as well as the revenues derived from these loans and assets.

(c) Housing Revenue Bond Program

The bonds issued under the Housing Revenue Bond Program are special revenue obligations of the Corporation payable solely from the revenues and assets pledged thereunder, pursuant to the Multi-Family Housing Revenue Bond general and supplemental resolutions (see Note 3).

On September 10, 1996, the Corporation issued \$217,310,000 of its Multi-Family Housing Revenue Bonds, 1996 Series A, to refund all of its General Housing Bonds. The \$224,965,000 par value of the General Housing serial and term bonds have interest rates ranging from 5.5% to 9%. As a result of the refunding, the Corporation reduced its total debt service requirements by \$106,206,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$15,706,000. No current expense was recognized on this refunding as required by Governmental Accounting Standards Board's Statement 23. The costs associated with the old debt issues are deferred as described in note 2(K), and are being amortized over the life of the new bond issue.

On June 19, 1997, the Corporation issued \$12,215,000 of its Multi-Family Housing Revenue Bonds, 1997 Series A, to advance refund all of its 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities) on July 24, 1997. As a result of the refunding, the Corporation reduced its total debt service

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

requirements by \$5,813,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,755,000. No current expense was recognized on this refunding as required by Governmental Accounting Standards Board's Statement 23. The costs associated with the old debt issues are deferred as described in note 2(K), and are being amortized over the life of the new bond issue.

On June 19, 1997, the Corporation issued \$13,050,000 of its Multi-Family Housing Revenue Bonds, 1997 Series B, to fund subsidized mortgage loans for certain substantially rehabilitated developments.

On October 15, 1997, the Corporation issued \$30,000,000 of its Multi-Family Housing Revenue Bonds, 1997 Series C, to finance a portion of the permanent mortgage loans for certain subsidized multifamily rental housing developments or to partially reimburse the Corporation for any such mortgage loans previously made. These bonds are federally taxable.

(d) 80/20

The bonds under this heading are also special revenue obligations of the Corporation and different bonds are secured by different forms of security such as a pledge of the mortgage loans, the programs' assets, the revenues derived from these loans and assets, a letter of credit, FHA mortgage insurance, SONYMA mortgage insurance, GNMA mortgage-backed securities and Fannie Mae mortgage collateral agreements, each as the case may be.

On April 26, 1996, the Corporation issued its \$5,620,000 Multi-Family Mortgage Revenue Bonds (Barclay Avenue Development), 1996 Series A, to finance the permanent mortgage loan for the project.

On December 17, 1996, the Corporation issued \$55,070,000 of its Multi-Family Mortgage Revenue Bonds (West 43rd Street Development), 1996 Series A & B, to finance the mortgage loan for the project. The \$2,970,000 Series B Bonds are federally taxable.

On December 24, 1996, the Corporation issued \$53,000,000 of its Multi-Family Mortgage Revenue Bonds (Related - West 89th Street Development), 1996 Series A, to finance the mortgage loan for the project.

On December 30, 1996, the Corporation issued \$13,200,000 of its Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1996 Series A, to refinance, at the request of the mortgagor, \$13,200,000 of the Corporation's outstanding Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1995 Series B.

On October 31, 1997, the Corporation issued \$13,775,000 of its variable rate Multi-Family Rental Housing Revenue Bonds (Related-Columbus Green), 1997 Series A, to refinance the project at the request of the mortgagor. As a result of this refinancing, the Corporation's 1985 Series A Variable Rate Demand Bonds (Columbus Green Project) were retired on November 10, 1997.

On October 31, 1997, the Corporation issued \$66,800,000 of its variable rate Multi-Family Rental Housing Revenue Bonds (Related-Carnegie Park), 1997 Series A, to refinance the project at the request of the mortgagor. As a result of this refinancing, the Corporation's 1984 Series A Variable Rate Demand Bonds (Carnegie Park Project) were retired on November 10, 1997.

On October 31, 1997, the Corporation issued \$104,600,000 of its variable rate Multi-Family Rental Housing Revenue Bonds (Related-Monterey), 1997 Series A, to refinance the project at the request of the mortgagor. As a result of this refinancing, the Corporation's 1990 Series A Variable Rate Demand Bonds (Related - East 96th Street Project) were retired on November 10, 1997.

On October 31, 1997, the Corporation issued \$55,000,000 of its variable rate Multi-Family Rental Housing Revenue Bonds (Related-Tribeca Tower), 1997 Series A, to refinance the project at the request of the mortgagor. As a result of this refinancing, the Corporation's 1994 Series A Multi-Family Mortgage Revenue Bonds (Related - Tribeca Towers) were retired on November 17, 1997.

The bonds issued on October 31, 1997 are being sold at the request of the respective project owners and will not result in an economic gain or loss to the Corporation.

(e) Hospital Residence

The bonds under this program are secured by either bond insurance and/or a letter of credit and are special revenue obligations of the Corporation.

On November 22, 1988, the Corporation issued MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties-East, Inc. Project), 1988 Series 1, in the amount of \$115,583,000 to advance refund the MBIA Insured Residential Revenue Bonds (Royal Charter Properties-East Inc. Project), 1985 Series 1, in the amount of \$96,022,000. The advance refunding met the requirements of an in-substance defeasance, and, accordingly on October 31, 1997, none of the 1985 Series 1 Bonds are an outstanding obligation of the Corporation. At October 31, 1997, the defeased MBIA Insured Residential Revenue Bonds (Royal Charter Properties-East, Inc. Project), 1985 Series 1, totaled \$53,547,000.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

(f) Residential Cooperative Housing

The four bond issues of this program are special obligations of the Corporation which are or will be secured by a pledge of payments to be made under the SONYMA insured mortgage loans subject to the terms and conditions contained in the respective insurance contracts or commitments. They are additionally secured by the revenues and accounts of the respective issues.

On December 19, 1996, the Corporation issued \$16,750,000 of its Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, to finance a portion of the permanent mortgage loan for the project.

All the bonds of the programs listed above are subject to redemption. Certain issues are also subject to special redemption provisions. The parameters under which the redemptions may occur are set forth in the respective bond resolutions.

The bonds payable caption on the Combined Balance Sheet for the Corporation and its subsidiaries includes \$39,526,000 of deferred bond refunding costs on programs that were refinanced. For 1996 this caption included \$42,619,000.

Deferred bond refunding costs include call premiums of \$81,100 for the 1987 Series A Multi-Family Mortgage Revenue (GNMA Mortgage-Backed Securities) Bond Program and \$168,200 for the 1987 Series A Multi-Family Housing (FHA Insured Mortgage Loans) Bond Program.

(B) Housing Assistance Corporation

HAC is not authorized to issue bonds or notes.

(C) Housing New York Corporation

The bonds and notes of HNYC are not a debt of the State, the BPCA, the City or the Corporation (see note 3C).

Revenue Bond Program:

The 1987 & 1993 Series A Bonds are special revenue obligations of HNYC secured by a pledge of excess revenues from leases executed by the BPCA on or before January 1, 1986

which are in excess of amounts necessary to (1) satisfy certain of the BPCA's bond and note covenants, (2) fulfill all of the BPCA's legal and financial commitments and (3) pay the BPCA's operating and maintenance expenses. These bonds are also secured by monies and securities in the accounts held by the Trustee under and pursuant to the resolution, including the Debt Service Reserve Account. These bonds are not secured by any mortgages, leases or other interests in any of the residential housing facilities built with the proceeds of the bonds.

On December 16, 1993, HNYC issued \$258,690,000 of its Senior Revenue Refunding Bonds, Series 1993, to advance refund the Revenue Bonds, 1987 Series A. HNYC deposited \$241,353,000 in cash and investments in an irrevocable trust with an escrow agent to provide debt service payments which are sufficient to pay the principal or redemption price and interest due on the 1987 Series Bonds on or prior to the redemption or maturity date. The advance refunding met the requirements of an in-substance defeasance, and, accordingly on October 31, 1997, none of the 1987 Series Bonds are an outstanding obligation of HNYC. At October 31, 1997, the defeased 1987 Series Bonds totaled \$181,081,000.

(D) New York City Residential Mortgage Insurance Corporation

REMIC is not authorized to issue bonds or notes.

Required principal payments by the Corporation for the next five years including the retirement of \$238,356,000 of various bonds in November 1997 are as follows:

Year ending October 31		
(in thousands)		
1998	\$	275,570
1999		33,855
2000		36,108
2001		38,536
2002		40,600
Total	\$	424,669

The bonds of the HNYC do not require any principal payments during the succeeding five years.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Bonds Outstanding

Bonds payable comprise the following for the year ended October 31, 1997:

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
Housing Development Corporation					
Multi-Family Bond Programs:					
Section 223(f):					
Multifamily Housing Bond Program – 6.5% to 7.25% Bonds maturing in varying installments through 2019	\$ 319,141	-	(6,047)	313,094	27,110
1991 Multi-Unit Mortgage Refunding Bond Program - 4.4% to 7.35% Serial and Term Bonds maturing in varying installments through 2019	96,000	-	(1,715)	94,285	8,614
Total Section 223(f)	\$ 415,141	-	(7,762)	407,379	35,724
Housing Revenue Bond Program:					
1993 Series A & B Bond Program – 2.75% to 5.85% Serial and Term Bonds maturing in varying installments through 2026	126,015	-	(2,035)	123,980	9,115
1994 Series A PLP Bond Program – 8.4% and 8.95% Term Bonds maturing in varying installments through 2025	6,435	-	(170)	6,265	760
1995 Series A Multi-Family Housing Revenue Bond Program – 3.5% to 5.6% Serial Bonds maturing in varying installments through 2007	47,195	-	(3,420)	43,775	5,760
1996 Series A Multi-Family Housing Revenue Bond Program – 3.6% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	217,310	-	(4,845)	212,465	20,720
1997 Series A & B Multi-Family Housing Revenue Bond Program – 3.7% to 5.875% Serial and Term Bonds maturing in varying installments through 2018	-	25,265	-	25,265	1,631
1997 Series C Multi-Family Housing Revenue Bond Program – 6.73% Term Bonds maturing in varying installments through 2011	-	30,000	-	30,000	1,099
Total Housing Revenue Bond Program	\$ 396,955	55,265	(10,470)	441,750	39,085

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
80/20:					
1984 Series A Carnegie Park Project – 3.05% to 4.95% Variable Rate Bonds due upon demand through 2016	\$ 64,800	-	-	64,800	65,334
1985 Series A Columbus Green Project – 3.05% to 4.95% Variable Rate Bonds due upon demand through 2009	13,775	-	-	13,775	13,889
1985 Resolution 1 Parkgate Tower – 3% to 4.5% Variable Rate Bonds due upon demand through 2007	40,915	-	(1,850)	39,065	3,024
1987 Series A GNMA Mortgage-Backed Securities – 8.125% Term Bonds maturing in varying installments through 2019	4,115	-	(4,115)	-	-
1987 Series A HoDAG – 8.625% and 9.625% Term Bonds maturing in varying installments through 2019	8,585	-	(8,585)	-	-
1988 Series A Carnegie Park Project – 3.1% to 5% Variable Rate Bonds due upon demand through 2016	2,000	-	-	2,000	2,017
1989 Series A Upper Fifth Avenue Project – 2.7% to 4.35% Variable Rate Bonds due upon demand through 2016	10,000	-	-	10,000	345
1989 Series A Queenswood Apartments – 2.95% to 4.6% Variable Rate Bonds due upon demand through 2017	11,600	-	-	11,600	435
1989 Series A Sheridan Manor Apartments – 7.2% and 7.45% Term Bonds maturing in varying installments through 2008	9,945	-	(500)	9,445	1,231
1990 Series A Related – East 96th Street Project – 2.8% to 4.55% Variable Rate Bonds due upon demand through 2015	104,600	-	-	104,600	105,665
1993 Series A Columbus Gardens Project – 2.95% to 4.45% Variable Rate Bonds due upon demand through 2007	25,400	-	(800)	24,600	1,091
1993 Series A & B and 1995 Series A Manhattan Park – 6.25% to 8% Term Bonds maturing in varying installments through 2030	161,390	-	(1,165)	160,225	11,774
1993 Series A Manhattan West Development – 5.7% Term Bonds maturing in varying installments through 2036	141,735	-	-	141,735	8,079

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1994 Series A James Tower Development – 3% to 4.5% Variable Rate Bonds maturing in varying installments through 2005	26,200	-	(700)	25,500	1,597
1994 Series A York Avenue Development – 3.05% to 4.6% Variable Rate Bonds due upon demand through 2024	57,000	-	-	57,000	2,052
1994 Series A Tribeca Towers Development – 2.9% to 4.5% Variable Rate Bonds maturing in varying installments through 2024	55,000	-	-	55,000	55,181
1995 Series A Columbus Apartments Development – 2.8% to 4.3% Variable Rate Bonds maturing in varying installments through 2025	23,370	-	(300)	23,070	1,017
1995 Series A & B Jane Street Development – 3% to 5.82% Variable Rate Bonds maturing in varying installments through 2030	18,675	-	-	18,675	707
1995 Series A-1, A-2 & B 400 West 59th Street Development – 3% to 5.8% Variable Rate Bonds due upon demand through 2030	150,000	-	(13,200)	136,800	5,221
1996 Series A West 89th Street Development - 3.1% to 4.55% Variable Rate Bonds due upon demand through 2029	-	53,000	-	53,000	1,935
1996 Series A Barclay Avenue Development – 5.75% to 6.6% Term Bonds maturing in varying installments through 2033	5,620	-	-	5,620	385
1996 Series A & B West 43rd Street Development – 3% to 6.9% Variable Rate Bonds due upon demand through 2029	-	55,070	-	55,070	2,096
1996 Series A 400 West 59th Street Development – 3% to 4.55% Variable Rate Bonds due upon demand through 2030	-	13,200	-	13,200	488
1997 Series A Related - Columbus Green Project – 3.7% Variable Rate Bonds due upon demand through 2019	-	13,775	-	13,775	487

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1997 Series A Related - Carnegie Park Project – 3.7% Variable Rate Bonds due upon demand through 2019	-	66,800	-	66,800	2,363
1997 Series A Related - Monterey Project – 3.7% Variable Rate Bonds due upon demand through 2019	-	104,600	-	104,600	3,870
1997 Series A Related - Tribeca Tower Project – 3.75% Variable Rate Bonds due upon demand through 2019	-	55,000	-	55,000	1,972
Total 80/20	\$ 934,725	361,445	(31,215)	1,264,955	292,255

Hospital Residence:

1988 Series 1 MBIA Insured – 5.6% to 7.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2017	92,803	-	(4,905)	87,898	10,188
1993 Series A East 17th Street Properties – 2% to 5.45% Variable Rate Term Bonds maturing in varying installments through 2023	36,600	-	(600)	36,000	2,093
1993 Series A Montefiore Medical Center – 2.95% to 4.45% Variable Rate Term Bonds maturing in varying installments through 2030	8,400	-	-	8,400	311
Total Hospital Residence	\$ 137,803	-	(5,505)	132,298	12,592

Residential Cooperative Housing:

1990 Series A South Williamsburg Cooperative – 7.9% Term Bonds maturing in varying installments through 2023	6,730	-	(75)	6,655	604
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New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1990 Series A South Bronx Cooperative – 8.1% Term Bonds maturing in varying installments through 2023	6,470	-	(65)	6,405	587
1994 Series A Maple Court Cooperative – 6.22% Term Bonds maturing in varying installments through 2027	12,330	-	-	12,330	900
1996 Series A Maple Plaza Cooperative – 6.08% Term Bonds maturing in varying installments through 2029	-	16,750	-	16,750	1,018
Total Residential Cooperative Housing	\$ 25,530	16,750	(140)	42,140	3,109
Total Bonds Payable Housing Development Corporation	\$ 1,910,154	433,460	(55,092)	2,288,522	382,765
Housing New York Corporation					
Revenue Bond Program:					
1993 Series A Refunding Bonds – 4.9% to 6% Serial and Term Bonds maturing in varying installments through 2020	258,690	-	-	258,690	13,421
Total Bonds Payable Housing New York Corporation	\$ 258,690	-	-	258,690	13,421
Total Bonds Payable Prior to Deferred Bond Refunding Costs	\$ 2,168,844	433,460	(55,092)	2,547,212	396,186
Deferred bond refunding costs				(39,526)	
Total Bonds Payable Net of Deferred Bond Refunding Costs				\$ 2,507,686	

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Note 8: Consultant's Fees

(A) New York City Housing Development Corporation

The fees paid by the Corporation for legal and consulting services in fiscal year 1997 for HDC include: \$9,391 to Swidler & Berlin, \$14,582 to Hawkins, Delafield & Wood and \$34,174 to Ravin, Sarasohn, Cook & Baumgarten for legal services. The Corporation paid consulting fees in the amount of \$6,200 to W. Donald Campbell for strategic planning.

In addition, the Corporation paid the following: legal fees of \$267,506 to Hawkins, Delafield & Wood, consulting fees of \$15,000 to Goldman Sachs & Company and accounting fees of \$10,000 to KPMG Peat Marwick for services provided as a result of bond refinancings. For environmental studies, the Corporation paid \$20,000 to Vollmer Associates and \$2,142 to Apostle Associates. The Corporation has been reimbursed for the expenses set forth in this paragraph from either bond proceeds or project developers.

Note 9: Payable to The City of New York

(A) New York City Housing Development Corporation

HPD acts as the regulatory agency for the 1996 Series A Housing Revenue Bond Program mortgages, and as such, receives servicing fees from HDC. At October 31, 1997, the 1996 Series A Housing Revenue Bond Program servicing fees payable to HPD were \$28,000.

Mortgages in the Section 223(f) Housing Program were assigned to the Corporation by the City in order to generate monies for the City. The Corporation remitted to the City any excess of mortgage interest income and investment earnings over related debt expense, trustee fees and servicing fees accrued through April 30, 1996. As of October 31, 1997, the total liability to the City was \$10,682,000. Under the 1991

Multi-Unit Refunding Bond Program all amounts payable to the City were satisfied on June 21, 1996 (see Note 5).

Also included in this reporting classification are participation loan funds received from the City which are to be advanced to mortgagors and mortgage and investment earnings under the 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program which was refinanced on June 19, 1997 and is now under the 1997 Series A Multi-Family Housing Revenue Bond Program (see Note 7) and the 1995 Series A Multi-Family Housing Revenue Bond Program. Included in non-operating expenses were \$26,000 in the 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program, \$68,000 in the 1995 Series A Multi-Family Housing Revenue Bond Program and \$15,000 in the 1997 Series A Multi-Family Housing Revenue Bond Program. The total funds payable to the City over the life of the bond programs are \$6,175,000 in the 1995 Series A Multi-Family Housing Revenue Bond Program and \$5,500,000 in the 1997 Series A Multi-Family Housing Revenue Bond Program.

The City provided funds for a subordinate mortgage loan to Sheridan Manor which were advanced pursuant to a mortgage held and serviced by the Corporation. The total liability to the City was \$18,666,000 on October 31, 1997.

The Corporation under its DSP has initiated an HPD Loan Servicing Program. From 1991 through 1996 HPD transmitted \$467,081,000 and for 1997 \$112,071,000 to the Corporation for this activity. At October 31, 1997, the Corporation held \$85,799,000 in the Corporate Services Fund for the City.

(B) Housing Assistance Corporation

The funds received from the City for HAC as well as any earnings on the funds (see note 3B) are also included in this reporting classification on the Combined Balance Sheet. At October 31, 1997, total resources payable to the City amounted to \$77,674,000.

(C) Housing New York Corporation

The Corporation is servicing four loans under the Vacant Cluster Program with funds received from the City. At October 31, 1997, total funds held for the City amounted to \$774,000.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

Note 10: Retirement System

The Corporation and REMIC are participating employers in the New York City Employee's Retirement System (the "System") of which 8 employees of the Corporation and 3 employees of REMIC are members. The Corporation and REMIC respectively paid \$13,154 and \$1,418 as their actuarially computed proportionate shares of the System's cost for the period covering the Corporation's fiscal year.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue Service has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

Note 11: Due to the United States Government

The amount reported in this classification is made up of two major components. A general description of each of the components is as follows:

A. Due to HUD

The Corporation has entered into contracts with HUD to administer housing assistance payment contracts with housing projects occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the Corporation. The Corporation receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered projects. As of October 31, 1997, the Corporation held \$3,876,000 in prefunded annual contributions. Related fees earned during fiscal year 1997 amounted to \$1,960,000 and are included in the Corporate Services Fund.

On August 1, 1993, the Corporation entered into a Financial Adjustment Factor ("FAF") Refunding Agreement covering the 1993 Series A Multi-Family Housing Revenue Bond Program. Under this agreement the Corporation returns excess Section 8 subsidy funds to HUD. At October 31, 1997, this amount totaled \$35,000.

B. Rebate Fund

In order to maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the Corporation established a separate fund, the Rebate Fund, into which amounts required to be rebated to the Federal Government pursuant to Section 148 of the Code are deposited. The Code requires the payment to the United States Treasury of the excess of the amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue. Project or construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within six months after the date of issue and debt service funds with annual gross earnings of less than \$100,000 are exempt from this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. At October 31, 1997, HDC and HNYC had set aside \$534,000 in rebatable funds.

Note 12: Commitments

(A) New York City Housing Development Corporation

The Corporation is committed under one operating lease for office space for minimum annual rentals for the next five years as follows:

Year ending October 31		
1998	\$	435,000
1999		453,000
2000		470,000
2001		488,000
2002		506,000
Total	\$	2,352,000

Thereafter, the Corporation is committed for another four years for an additional total minimum rental of \$2,025,000.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

For fiscal year 1997, the Corporation's rental expense amounted to \$323,000.

Remaining mortgage commitments and other loan commitments at October 31, 1997 are as follows:

Mortgage Loans:	
Multi-Family Bond Programs:	
80/20 Residential Cooperative Housing	\$ 69,649,000
	16,750,000
Total Mortgage Loan Commitments	\$ 86,399,000
Other Loans:	
Development Services Program	1,496,000
Total Commitments	\$ 87,895,000

On December 27, 1993, the Corporation entered into a construction and permanent loan participation agreement with the American Federation of Labor and Congress of Industrial Organizations Housing Investment Trust ("AFL - CIO") to provide construction and permanent financing for Manhattan West, a 1,000 unit 80/20 project. The Corporation's share of the commitment was 85.85% or \$134,000,000 and the AFL - CIO's share was 14.15% or \$22,087,000. The loan achieved final endorsement on July 17, 1996.

(B) New York City Residential Mortgage Insurance Corporation
HDC is committed under one operating lease for office space and allocates a percentage of that office space to REMIC for minimum annual rentals for the next five years as follows:

Year ending October 31		
1998	\$	39,000
1999		41,000
2000		43,000
2001		44,000
2002		46,000
Total	\$	213,000

Thereafter, HDC is committed for another four years and REMIC's total minimum allocated rental will be \$184,000.

For fiscal year 1997, REMIC's rental expense amounted to \$122,000.

As of October 31, 1997, REMIC insured loans with coverage totaling \$34,167,000 and had outstanding commitments to insure loans with a maximum insurance coverage of \$28,702,000.

Note 13: Contingencies

In the normal conduct of the Corporation's business, it is involved in litigation matters. In the opinion of management and the Corporation's legal counsel, the ultimate disposition of such litigation should not have a material adverse effect on the combined financial position of the Corporation.

Note 14: Subsequent Events

A. On December 24, 1997, the Corporation issued \$4,900,000 of its Multi-Family Mortgage Revenue Bonds (2111 Hughes Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for 2111 Hughes Avenue, a 72 unit multi-family rental building.

B. On December 24, 1997, the Corporation issued \$5,000,000 of its Multi-Family Mortgage Revenue Bonds (Vermont School Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 523 Vermont Avenue, a 74 unit multi-family rental building.

C. On December 24, 1997, the Corporation issued \$600,000 of its Multi-Family Mortgage Revenue Bonds (West 115th Street Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 262 West 115th Street, a 10 unit multi-family rental building.

D. On December 24, 1997, the Corporation issued \$600,000 of its Multi-Family Mortgage Revenue Bonds (Frederick Douglass Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 2500 Eighth Avenue, a 9 unit multi-family rental building.

E. On December 24, 1997, the Corporation issued \$2,500,000 of its Multi-Family Mortgage Revenue Bonds (Third Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 3716-3720 Third Avenue, a 41 unit multi-family rental building.

New York City Housing Development Corporation

Notes to the Combined Financial Statements

as of October 31, 1997

F. On December 24, 1997, the Corporation issued \$1,700,000 of its Multi-Family Mortgage Revenue Bonds (Lenox Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 349-59 Lenox Avenue, a 26 unit multi-family rental building.

G. On December 31, 1997, the Corporation issued \$7,100,000 of its Multi-Family Mortgage Revenue Bonds (Tompkins Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for Tompkins Court, a 108 unit multi-family rental building.

H. On December 31, 1997, the Corporation issued \$8,100,000 of its Multi-Family Mortgage Revenue Bonds (Gerard Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for Gerard Court, a 126 unit multi-family rental building.

I. On December 31, 1997, the Corporation issued \$8,100,000 of its Multi-Family Mortgage Revenue Bonds (River Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for River Court, a 126 unit multi-family rental building.

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New York City Housing Development Corporation

Other Information

as of October 31, 1997

Schedule I:

The following schedule represents the Balance Sheet and Revenue Statement of the Housing Revenue Bond Program as of October 31, 1997. This schedule is being presented to provide detail information on a program basis for the owners of the program's obligations.

Housing Revenue Bond Program Balance Sheet October 31, 1997 and 1996 (in thousands)

	1997	1996
ASSETS:		
Cash and investments	\$ 130,108	74,996
Mortgage loan receivable	492,606	481,458
Accrued interest receivable	1,944	1,925
Unamortized issuance cost	3,786	3,787
Due (to) from other funds	(1,230)	(524)
Other assets	19	18
Total Assets	\$ 627,233	561,660
LIABILITIES:		
Bonds payable (including deferred bond refunding cost)	433,219	387,864
Discount on bonds payable	(1,349)	(1,481)
Accrued interest payable	10,976	7,769
Payable to New York City	11,703	6,466
Deferred fee and mortgage income	9,200	8,893
Due to the United States	4,334	1,884
Due to mortgagors	1,717	1,678
Total Liabilities	\$ 469,800	413,073
FUND BALANCES:		
Restricted	157,433	148,587
Total Fund Balances	\$ 157,433	148,587
Total Liabilities and Fund Balances	\$ 627,233	561,660

See accompanying independent auditors' report.

New York City Housing Development Corporation

Other Information

as of October 31, 1997

Schedule I (cont'd):

Housing Revenue Bond Program Statement of Revenues and Expenses Fiscal Years ended October 31, 1997 and 1996 (in thousands)

	1997	1996
REVENUES:		
Interest on loans	\$ 39,284	25,646
Earnings on investments	5,051	3,416
Fees and charges	843	248
Total Revenues	\$ 45,178	29,310
EXPENSES:		
Interest and amortization	22,528	12,516
Services of New York City	335	47
Trustee and other fees	117	89
Amortization of debt issuance costs	381	190
Non-operating expenses	83	71
Total Expenses	\$ 23,444	12,913
Excess of Revenues Over Expenses before Operating Transfers	\$ 21,734	16,397
Operating transfers	(502)	(207)
Excess of Revenues Over Expenses after Operating Transfers	\$ 21,232	16,190
Fund Balance at Beginning of Year	\$ 148,587	110,737
Net fund balance transfers between programs	(12,386)	21,660
Fund Balance at End of Year	\$ 157,433	148,587

See accompanying independent auditors' report.

OTHER ACTIVITIES OF THE CORPORATION

The Corporation is engaged in the various activities and programs described below.

I. BOND PROGRAMS. The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. As of May 31, 1998, the Corporation had bonds and notes outstanding in the aggregate principal amount of approximately \$2,135,206,385.87 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of May 31, 1998 unless otherwise indicated. All of the projects financed by the Corporation have been completed and are in operation except where indicated below. None of the projects described below provide security for any of the Resolutions. In addition, none of the bonds described below is secured by any of the Resolutions.

A. *Multi-Family Program.* The Corporation established its Multi-Family Program to develop privately owned multi-family rental housing, all or a portion of which is reserved for low income tenants.

(1) Rental Projects: Letter of Credit Enhanced: Under its Multi-Family Program, the Corporation has issued bonds to finance a number of mixed income projects which bonds are secured by letters of credit issued by rated commercial lending institutions. On December 17, 1985, the Corporation issued its \$49,000,000 Variable Rate Demand Bonds (Parkgate Tower), 1985 Resolution 1, of which \$37,315,000 is outstanding, to finance a 206-unit project in Manhattan. On January 20, 1989, the Corporation issued its \$10,000,000 Variable Rate Demand Bonds (Upper Fifth Avenue Project), 1989 Series A, all of which are outstanding, to finance a 151-unit project in Manhattan. On March 1, 1989, the Corporation issued its \$12,400,000 Multi-Family Mortgage Revenue Bonds (Queenswood Apartments), 1989 Series A, of which \$11,600,000 is outstanding, to finance a 296-unit development in Queens. On July 6, 1994, the Corporation issued its \$57,000,000 Multi-Family Mortgage Revenue Bonds (York Avenue Development), 1994 Series A, all of which are outstanding, to finance a 272-unit building in Manhattan. On October 12, 1995, the Corporation issued its Multi-Family Mortgage Revenue Bonds (100 Jane Street Development), 1995 Series A and 1995 Series B in the respective principal amounts of \$17,850,000 and \$825,000, all of which were outstanding on May 31, 1998 (subsequent to May 31, 1998, the Corporation redeemed \$1,400,000 of the 1995 Series A bonds), to finance a 148-unit building in Manhattan. On November 10, 1995, the Corporation issued its \$150,000,000 Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1995 Series A-1, 1995 Series A-2 and 1995 Series B, of which \$136,800,000 is outstanding, to finance a 729-unit building in Manhattan and, on December 30, 1996, the Corporation issued its \$13,200,000 Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1996 Series A, all of which are outstanding, to refund a like amount of the 1995 Series B bonds. On December 17, 1996, the Corporation issued its \$55,070,000 Multi-Family Mortgage Revenue Bonds (West 43rd Street Development), 1996 Series A and 1996 Series B, all of which are outstanding, to finance a 375-unit building in Manhattan. On December 24, 1996, the Corporation issued its \$53,000,000 Multi-Family Mortgage Revenue Bonds (Related-West 89th Street Development), 1996 Series A, all of which are outstanding, to finance a 265-unit building in Manhattan.

On May 26, 1993, the Corporation issued \$27,600,000 of its Multi-Family Mortgage Revenue Bonds (Columbus Gardens Project), 1993 Series A, of which \$24,400,000 is outstanding, to refinance a 162-unit building located on the west side of Manhattan and to refund bonds previously issued by the Corporation to finance this project. On April 6, 1994, the Corporation issued its \$28,000,000 Multi-Family Mortgage Revenue Bonds (James Tower Development), 1994 Series A, of which \$25,200,000 is

outstanding, to refinance a 200-unit building located on the west side of Manhattan and to refund the bonds previously issued by the Corporation to finance this project.

Under its Multi-Family Program, the Corporation has issued bonds to finance a number of low income projects, which bonds are secured by letters of credit issued by rated commercial lending institutions. On December 24, 1997, the Corporation issued its \$2,500,000 Multi-Family Mortgage Revenue Bonds (Third Avenue Project), 1997 Series A, all of which are outstanding, to finance a 41 unit project in Bronx County. On December 24, 1997, the Corporation issued its \$1,700,000 Multi-Family Mortgage Revenue Bonds (Lenox Avenue Project), 1997 Series A, all of which are outstanding, to finance a 26 unit project in Manhattan. On December 24, 1997, the Corporation issued its \$4,900,000 Multi-Family Mortgage Revenue Bonds (2111 Hughes Avenue Project), 1997 Series A, all of which are outstanding, to finance a 72 unit project in Bronx County. On December 24, 1997, the Corporation issued its \$5,000,000 Multi-Family Mortgage Revenue Bonds (Vermont School Project), 1997 Series A, all of which are outstanding, to finance a 74 unit project in Brooklyn. On December 24, 1997, the Corporation issued its \$600,000 Multi-Family Mortgage Revenue Bonds (West 115 Street Project), 1997 Series A, all of which are outstanding, to finance a 10 unit project in Manhattan. On December 24, 1997, the Corporation issued its \$600,000 Multi-Family Mortgage Revenue Bonds (Frederick Douglass Project), 1997 Series A, all of which are outstanding, to finance a 9 unit project in Manhattan. On December 31, 1997, the Corporation issued its \$7,100,000 Multi-Family Mortgage Revenue Bonds (Tompkins Court Project), 1997 Series A, all of which are outstanding, to finance a 108 unit project in Staten Island. On December 31, 1997, the Corporation issued its \$8,100,000 Multi-Family Mortgage Revenue Bonds (Gerard Court Project), 1997 Series A, all of which are outstanding, to finance a 126 unit project in Bronx County. On December 31, 1997, the Corporation issued its \$8,100,000 Multi-Family Mortgage Revenue Bonds (River Court Project), 1997 Series A, all of which are outstanding, to finance a 126 unit project in Bronx County. All of these projects are presently under construction.

(2) Rental Projects: Fannie Mae Enhanced: Pursuant to its Multi-Family Program, the Corporation has issued bonds which are secured by mortgage loan payments, which payments are secured by obligations of the Federal National Mortgage Association ("Fannie Mae") under a Collateral Agreement. On March 29, 1995, the Corporation issued its \$23,570,000 Multi-Family Mortgage Revenue Bonds (Columbus Apartments Project), 1995 Series A, of which \$22,970,000 is outstanding, to refinance a 166-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$13,775,000 Multi-Family Rental Housing Revenue Bonds (Related-Columbus Green), 1997 Series A, all of which are outstanding, to refinance a 95-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$66,800,000 Multi-Family Rental Housing Revenue Bonds (Related-Carnegie Park), 1997 Series A, all of which are outstanding, to refinance a 461-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$104,600,000 Multi-Family Rental Housing Revenue Bonds (Related-Monterey), 1997 Series A, all of which are outstanding, to refinance a 522-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$55,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Tribeca Tower), 1997 Series A, all of which are outstanding, to refinance a 440-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project.

(3) Rental Projects: FHA Enhanced: Under its Multi-Family Program, the Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA"). See "FHA Insured Mortgage Loan Programs" below.

(4) Rental Projects; Other Enhancements: Under its Multi-Family Program, the Corporation has issued bonds to finance mortgage loans for residential facilities, which mortgage loans are insured by the State of New York Mortgage Agency ("SONYMA") or the New York City Residential Mortgage Insurance Corporation ("REMIC"), which is a subsidiary of the Corporation. On October 31, 1989, the Corporation issued its \$11,605,000 Insured Multi-Family Mortgage Revenue Bonds (Sheridan Manor Apartments), 1989 Series A, of which \$9,180,000 is outstanding, to provide financing for a mortgage loan for a 450-unit development in Bronx County. This mortgage loan is insured by SONYMA and these bonds are secured by a financial guaranty bond issued by Capital Guaranty Insurance Company. On April 26, 1996, the Corporation issued its \$5,620,000 Multi-Family Mortgage Revenue Bonds (Barclay Avenue Development), 1996 Series A, all of which are outstanding, to fund a permanent mortgage loan for a 66-unit building located in Queens County. The Corporation's mortgage loan is insured by REMIC.

(5) Hospital Staff Housing: Pursuant to its Multi-Family Program, the Corporation has provided financing for residential facilities for hospital staff. A multi-purpose facility for the benefit of The Society of the New York Hospital, located on the east side of Manhattan, was financed through the issuance of the Corporation's \$96,021,640.30 MBIA Insured Residential Revenue Bonds (Royal Charter Properties East, Inc. Project), 1985 Series 1 on April 11, 1985. On November 22, 1988, the Corporation advance refunded the 1985 Series 1 Bonds through the issuance of its \$115,582,688.60 MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties East, Inc. Project), 1988 Series 1 in order to refinance this multipurpose facility. On April 17, 1998, the Corporation refunded the 1988 Series 1 Bonds through the issuance of its \$103,300,000 MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties East, Inc. Project), 1998 Series 1, all of which are outstanding, in order to again refinance this multipurpose facility. On May 4, 1998, all of the 1988 Series 1 Bonds were redeemed. The payment of principal of and interest on the 1998 Series 1 Bonds is guaranteed by a municipal bond guaranty insurance policy issued by MBIA Insurance Corporation.

On March 19, 1993, the Corporation issued its \$36,600,000 Residential Revenue Bonds (East 17th Street Properties, Inc.), 1993 Series A, of which \$35,400,000 is outstanding, to provide a mortgage loan to East 17th Street Properties, Inc. (an affiliate of Beth Israel Medical Center) for two residential housing facilities located in Manhattan. These bonds are secured by a letter of credit issued by a rated commercial lending institution. On June 17, 1993, the Corporation issued its \$8,400,000 Residential Revenue Bonds (Montefiore Medical Center Project), 1993 Series A, all of which are outstanding, to finance a mortgage loan made to Montefiore Medical Center for a residential housing facility in Bronx County. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

(6) Cooperative Housing: Pursuant to the Corporation's Multi-Family Program, the Corporation has issued obligations in order to fund underlying mortgage loans to cooperative housing developments. On March 15, 1990, the Corporation issued its \$6,955,000 Mortgage Revenue Bonds (South Williamsburg Cooperative), 1990 Series A, of which \$6,615,000 is outstanding, in order to fund an underlying permanent mortgage loan for a 105-unit limited-income cooperative located in Brooklyn. On September 27, 1990, the Corporation issued its \$11,260,000 Mortgage Revenue Bonds (South Bronx Cooperatives), 1990 Series A, of which \$6,370,000 is outstanding, in order to fund underlying permanent mortgage loans for four limited-income cooperatives located in Bronx County. On April 28, 1994, the Corporation issued its \$12,330,000 Mortgage Revenue Bonds (Maple Court Cooperative), 1994 Series A, of which \$12,195,000 is outstanding, to fund an underlying permanent mortgage loan for a 134-unit cooperative located in Manhattan. Each mortgage loan is insured by SONYMA.

On December 19, 1996, the Corporation issued its \$16,750,000 Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, all of which are outstanding, to fund an underlying permanent

mortgage loan for a 154-unit cooperative which is being constructed in Manhattan. Following completion of this project and satisfaction of certain conditions, the Corporation will make its mortgage loan to the cooperative corporation. The Corporation's loan is expected to be insured by SONYMA.

B. FHA Insured Mortgage Loan Programs. The Corporation is empowered to make loans secured by mortgages insured by the federal government for new construction and rehabilitation of multiple dwellings.

(1) On January 15, 1993, the Corporation issued its \$164,645,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1993 Series A and 1993 Series B, of which \$146,945,000 of the 1993 Series A bonds (and none of the 1993 Series B bonds) is outstanding, to acquire a defaulted FHA-insured mortgage loan for the Manhattan Park Project (also known as Roosevelt Island Northtown Phase II) from the United States Department of Housing and Urban Development. On January 17, 1995, the Corporation issued its \$13,910,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1995 Series A, of which \$12,665,000 is outstanding, to refund a like amount of the 1993 Series B bonds. This 1,107-unit project receives Section 8 housing assistance payments, administered by the Corporation, for 222 units. This project was originally financed by bonds issued by the Corporation which have been redeemed.

(2) On December 27, 1993, the Corporation issued its \$141,735,000 Multi-Family Housing Revenue Bonds (FHA Insured Mortgage Loan—Manhattan West Development), 1993 Series A, all of which are outstanding, to finance a portion of an FHA-insured construction and permanent mortgage loan for the Manhattan West Development, a 1,000-unit mixed income project, located in Manhattan.

C. Section 223(f) Refinancing Program. The Corporation has the power to acquire mortgages originally made by the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of the sale of such mortgages or issuance of obligations to the City. Between 1977 and 1980, obligations in the aggregate principal amount of \$488,859,800 were issued and secured by mortgage loans insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934, as amended, of which \$402,736,385.87 is outstanding as described below.

The Corporation issued \$299,886,700 aggregate principal amount of its Multifamily Housing Limited Obligation Bonds (FHA Insured Mortgage Loans), in 58 series under a resolution adopted July 25, 1977, and issued \$79,998,100 aggregate principal amount of such bonds in 15 series, under a second resolution adopted October 10, 1978, of which a combined total of \$309,346,385.87 is outstanding. The security for each series of such bonds is the federally-insured mortgage loans financed thereby. Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act ("Section 236"). The bonds, which are structured as modified pass-through obligations, were privately placed with certain savings institutions under bond purchase agreements dated as of August 11, 1977 and November 30, 1978, respectively, as amended. Two series of these bonds have been redeemed in full as a result of the prepayment in full of the mortgage loan securing the respective series.

On February 6, 1991, the Corporation issued its \$103,560,000 Multi-Unit Mortgage Refunding Bonds (FHA Insured Mortgage Loans), 1991 Series A, of which \$93,390,000 is outstanding, to refund bonds of the Corporation which had been issued to refinance eight multifamily developments. These bonds are limited obligations of the Corporation, payable solely from and secured by a cross-collateralized pool

of FHA-insured mortgage loans, the revenues received on account of such loans and Section 236 subsidy payments.

On June 21, 1996, the Corporation commenced loan servicing of thirty-seven permanent mortgage loans with an aggregate outstanding principal balance of \$225,369,031. These permanent mortgage loans are held by State Street Bank and Trust Company as trustee for the NYC Mortgage Loan Trust. In the case of thirty-one of these mortgage loans, each such mortgage loan is subordinate to one of the FHA-insured mortgage loans which secure certain of the bonds issued by the Corporation under its Section 223(f) Refinancing Program.

II. DEVELOPMENT SERVICES PROGRAM. The Corporation commenced its Development Services Program in 1987, which program is funded by monies drawn from the Corporation's unrestricted reserves. The Development Services Program is comprised of eight subprograms: (1) the Construction Loan Program, (2) the Seed Money Loan Program, (3) the Project Management Program, (4) the Working Capital Loan Program, (5) the Tax Credit Bridge Loan Program, (6) the HPD Loan Servicing Program, (7) the Minority and Women-Owned Business Enterprise Working Capital Loan Program and (8) the Participation Loan Program. The subprograms that were active on May 31, 1998 are described below.

Neither the monies used to fund the Development Services Program nor the projects funded by the Development Services Program provide security under the Resolutions.

(1) Seed Money Loan Program. Pursuant to Memoranda of Understanding ("MOUs") with the City, acting through HPD, the Corporation has provided interim assistance in the form of an unsecured, interest-free loan (i) to the Neighborhood Partnership Housing Development Fund Company, Inc. in the amount of \$850,000 to fund certain expenses associated with HPD's Neighborhood Entrepreneurs Program (subsequent to May 31, 1998, this loan was increased to \$2,250,000), and (ii) to Phipps Houses, in the amount of \$297,000, and to 120 Gerry Street Housing Development Fund Corporation, in the amount of \$164,800, both to fund certain expenses associated with HPD's 85/85 Program.

(2) Working Capital Loan Program. Pursuant to MOUs with the City, acting through HPD, the Corporation has agreed to provide interest-free loans to not-for-profit sponsors of projects sponsored by HPD. The proceeds of such loans are used for rent-up expenses and initial operation costs of such projects.

(i) The Corporation has made one loan in the amount of \$1,658,132 to a not-for-profit sponsor participating in the City's Construction Management Program for the New Settlement Apartments project located in Bronx County; and

(ii) The Corporation has agreed to provide up to \$8,100,000 to fund Working Capital loans to project sponsors in HPD's Special Initiatives Program ("SIP"). As of May 31, 1998, the Corporation had made 87 SIP Working Capital loans.

(3) Tax Credit Bridge Loan Program. The Corporation established a Bridge Loan Program for rental housing developments which receive Federal Low Income Housing Tax Credits ("Tax Credits"). The loans are used to bridge equity payments to be made over time by certain banks and corporations purchasing the Tax Credits generated by certain housing developments. As of May 31, 1998, the Corporation had two loans outstanding pursuant to the program as follows:

(i) On June 22, 1992, the Corporation made a Bridge Loan to the New York Equity Fund 1992 Limited Partnership in an amount not to exceed \$22,000,000. These Bridge Loan funds provided needed construction capital to not-for-profit sponsors of 13 housing rehabilitation projects; and

(ii) On February 28, 1994, the Corporation made a Bridge Loan to the New York Equity Fund 1992 Limited Partnership in an amount not to exceed \$13,000,000. These Bridge Loan funds provided needed construction capital to not-for-profit sponsors of 10 housing rehabilitation projects.

(4) HPD Loan Servicing Program. The Corporation acts as loan servicer in connection with certain of HPD's construction and permanent housing loan programs pursuant to several agreements with HPD. As of May 31, 1998, the Corporation was servicing construction and permanent loans in the approximate face amount of \$716,000,000.

(5) Participation Loan Program. The Corporation established a program to make mortgage loans in an aggregate amount not to exceed \$7,700,000 for the rehabilitation of certain multiple dwelling projects pursuant to the provisions of Article XV of the New York State Private Housing Finance Law. The projects funded under this program are selected by HPD. The Corporation's loan for each project is made in conjunction with a loan from a private lender. Four loans have been made by the Corporation under this program.

III. AFFORDABLE HOUSING PERMANENT LOAN PROGRAM. The Corporation has established a program to make permanent loans for projects constructed or rehabilitated in conjunction with HPD loan programs. All of the loans under this program are expected to be financed by the proceeds of the Corporation's Multi-Family Housing Revenue Bonds, 1997 Series C and/or other monies of the Corporation.

**DEVELOPMENT AND MORTGAGE LOAN EXPECTED TO BE FINANCED WITH
THE PROCEEDS OF THE 1998 SERIES B BONDS***

Development	Borough	Number of Units	Estimated Mortgage Amount	Expected Mortgage Term	Expected Prepayment Category (see Appendix E-3)
de Sales Assisted Living Project	Manhattan	127	20,665,000	33 years	18

* The Development is expected to utilize 1998 Series B Bond proceeds for construction and permanent financing. The permanent Mortgage Loan expected to be financed with the proceeds of the 1998 Series B Bonds will be secured by SONYMA Insurance. See "PLAN OF FINANCING -- 1998 Series B Mortgage Loan" herein. In addition, the Development is expected to be newly constructed.

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**DEVELOPMENTS AND MORTGAGE LOANS
OUTSTANDING UNDER THE PROGRAM
AS OF MAY 31, 1998**

Supplemental Security	Subsidy Program(s) [†]	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date ^{††}	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
FHA 220	Section 8	Caparra La Nueva	1993 Series B	Manhattan	83	98%	\$5,601,513.44	\$5,908,800	9.7%	11/26/85	8/01/25	6/21/05	4	S
FHA 220	Section 8	Charles Hill Towers	1993 Series B	Manhattan	101	97%	\$7,062,404.35	\$7,373,200	10.36%	9/03/85	1/01/26	6/27/05	5	S
FHA 220	Section 8	Cooper Square Site 1B	1993 Series B	Manhattan	145	97%	\$10,135,309.53	\$10,678,100	9.7%	9/13/85	10/01/25	6/24/05	4	S
FHA 220	Section 8	Ennis Francis Houses	1993 Series B	Manhattan	230	97%	\$15,940,419.58	\$16,794,100	9.7%	9/19/85	10/01/25	10/15/04	4	BA
FHA 220	Section 8	Hamilton Heights Terrace	1993 Series B	Manhattan	131	96%	\$8,178,130.76	\$8,654,300	9.7%	4/26/85	3/01/25	12/14/04	4	S
FHA 220	Section 8	Lexington Gardens	1993 Series B	Manhattan	107	96%	\$7,357,506.15	\$7,749,800	9.7%	9/03/86	5/01/25	6/18/05	4	S
FHA 220	Section 8	McGee Hill Apartments	1993 Series B	Bronx	58	98%	\$3,369,368.15	\$3,677,200	10.36%	10/30/84	3/01/25	3/10/06	4	S
FHA 220	Section 8	McKinley Manor Apartments	1993 Series B	Bronx	59	100%	\$3,564,948.08	\$3,738,100	10.36%	9/06/85	5/01/25	11/09/04	5	S
FHA 220	Section 8	Metro North Court	1993 Series B	Manhattan	90	99%	\$5,772,506.24	\$6,063,300	10.36%	3/04/86	2/01/25	4/01/05	5	S
FHA 220	Section 8	Rainbow Plaza	1993 Series B	Bronx	126	100%	\$8,718,662.70	\$9,088,200	10.36%	6/25/86	4/01/26	1/21/06	5	S
FHA 220	Section 8	Revive 103 Apartments	1993 Series B	Manhattan	59	95%	\$4,131,698.05	\$4,318,100	10.36%	7/05/85	11/01/25	7/16/05	5	S
FHA 220	Section 8	Secco/Banana Kelly	1993 Series B	Bronx	64	91%	\$4,301,281.89	\$4,510,200	10.36%	2/08/85	5/01/25	11/20/04	5	S
FHA 220	Section 8	Thessalonica Court	1993 Series B	Bronx	190	98%	\$13,308,707.70	\$13,940,000	9.9%	5/12/86	4/01/26	1/17/06	4	BA
FHA 220	Section 8	Villa Alejandrina	1993 Series B	Bronx	70	97%	\$3,849,025.27	\$4,084,600	9.7%	1/31/84	11/01/24	2/14/04	4	S

† Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

†† Where there is more than one expiration date, the Development was completed in two or more stages.

††† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)†	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date**	Prepayment Category (see Appendix E-3)	Physical Inspection***
FHA 220	Section 8	Will A View Apartments	1993 Series B	Manhattan	54	91%	\$3,615,440.47	\$3,777,300	10.36%	11/04/85	10/01/25	7/19/05	5	S
FHA 221(d)(3)-FAF	Section 8	Fulton Park Sites 7 & 8	1993 Series A	Brooklyn	208	100%	\$13,049,455.41	\$13,780,700	9.7%	2/04/86	4/01/25	12/19/04 2/18/05	2	S
FHA 221(d)(4)	Section 8	Academy Gardens	1993 Series B	Bronx	468	98%	\$13,988,596.32	\$18,120,300	7.5%	12/24/80	12/01/21	6/13/00 8/08/00 9/05/00 10/24/00	1	SUP
FHA 221(d)(4)	Section 8	Boro Park Courts	1993 Series B	Brooklyn	130	95%	\$7,733,058.52	\$8,459,100	9.9%	8/09/85	11/01/25	6/25/05 8/19/05	2	S
FHA 221(d)(4)	Section 8	Brookhaven I	1993 Series B	Bronx	94	97%	\$5,354,275.72	\$5,673,500	9.7%	6/25/85	1/01/25	3/01/05	2	BA
FHA 221(d)(4)	Section 8	Clinton Arms	1993 Series B	Bronx	85	98%	\$4,738,129.68	\$4,962,700	10.36%	7/25/85	7/01/25	11/09/04	3	S
FHA 221(d)(4)	Section 8	Crotone Avenue	1993 Series B	Bronx	73	93%	\$2,527,289.56	\$3,222,800	7.5%	3/02/81	12/01/21	1/29/01 2/24/01 3/01/01	1	S
FHA 221(d)(4)	Section 8	Crown Heights Development #1	1993 Series B	Brooklyn	35	100%	\$2,099,122.20	\$2,197,400	10.36%	1/21/85	8/01/25	11/26/04	3	S
FHA 221(d)(4)	Section 8	Crown Heights Development II	1993 Series B	Brooklyn	31	100%	\$1,666,668.43	\$1,744,700	10.36%	10/04/84	8/01/25	10/05/04	3	S
FHA 221(d)(4)	Section 8	Felisa Rincon De Gautier Houses	1993 Series B	Bronx	108	95%	\$7,076,679.49	\$7,420,400	10.36%	12/31/84	5/01/25	1/16/05	3	S
FHA 221(d)(4)	Section 8	La Cabana Houses	1993 Series B	Brooklyn	166	99%	\$9,098,558.89	\$9,603,700	9.7%	10/08/85	7/01/25	1/25/05 3/05/05 3/28/05	2	S
FHA 221(d)(4)	Section 8	Lenoxville	1993 Series B	Manhattan	117	99%	\$4,871,821.77	\$5,584,700	7.5%	4/02/82	12/01/21	11/18/01	1	BA
FHA 221(d)(4)	Section 8	Lower East Side II	1993 Series B	Manhattan	90	100%	\$4,967,662.40	\$5,665,000	7.5%	9/19/83	10/01/21	1/28/02 5/25/02 8/27/02	1	BA
FHA 221(d)(4)	Section 8	Miramar Court	1993 Series B	Bronx	89	98%	\$4,265,614.68	\$4,895,900	7.607856%	3/30/83	8/01/21	8/24/01 11/10/01	1	S

† Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

†† Where there is more than one expiration date, the Development was completed in two or more stages.

††† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s) [†]	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date ^{††}	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
FHA 221(d)(4)	Section 8	President Arms	1993 Series B	Brooklyn	31	87%	\$1,146,701.09	\$1,326,500	7.5%	12/23/81	11/01/20	3/19/01	1	S
FHA 221(d)(4)	Section 8	1650 President Street	1993 Series B	Brooklyn	47	100%	\$1,893,350.40	\$2,411,200	7.5%	8/17/81	8/01/21	6/01/01	1	S
FHA 221(d)(4)	Section 8	Prospect Arms	1993 Series B	Brooklyn	90	88%	\$3,041,790.27	\$3,505,700	7.5%	12/23/81	4/01/21	7/01/01	1	BA
FHA 221(d)(4)	Section 8	Target V Phase I	1993 Series B	Bronx	82	95%	\$5,327,073.83	\$5,552,100	10.36%	2/27/86	2/01/26	11/29/05	3	S
FHA 221(d)(4)	Section 8	Washington Plaza	1993 Series B	Bronx	74	95%	\$4,716,407.04	\$4,954,000	10.36%	2/08/85	2/01/25	11/06/04	3	S
FHA 221(d)(4)	Section 8	Woodycrest Courts II	1993 Series B	Bronx	57	98%	\$3,033,364.28	\$3,199,800	9.9%	12/10/84	4/01/25	6/25/04	2	BA
FHA 221(d)(4)	Mod Rehab Section 8	Lewis Morris Apartments	1993 Series B	Bronx	270	96%	\$8,909,861.01	\$11,363,700	7.94124%	5/30/86	7/01/15	1/01/00 2/01/00 4/01/00 9/01/00 10/01/00 11/01/00 12/01/00	2	S
FHA 221(d)(4)	Mod Rehab Section 8/PLP	Dumas Arms Apartments	1995 Series A	Brooklyn	66	91%	\$1,129,857.82	\$1,495,000	10.3%	5/23/86	10/01/16	10/01/04	6	S
FHA 221(d)(4)	PLP	Cunningham Gardens I (a/k/a Cunningham Heights Apartments Phase I)	1995 Series A	Queens	576	99%	\$5,493,525.58	\$6,680,000	10.3% ^{†††}	11/26/86	5/01/16	N/A	6	S
FHA 221(d)(4)	PLP	Cunningham Gardens II (a/k/a Cunningham Heights Apartments Phase II)							10.16152% ^{†††} (\$1,375,000) 10.36726% ^{†††} (\$4,210,000)					

† Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

†† Where there is more than one expiration date, the Development was completed in two or more stages.

††† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

†††† Subsequent to May 31, 1998, the Mortgagor of this Development prepaid this Mortgage Loan in full.

Supplemental Security	Subsidy Program(s) [†]	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date ^{††}	Prepayment Category (see Appendix E-3)	Physical Inspection ^{†††}
FHA 221(d)(4)	HoDAG	285 Development	1995 Series A	Brooklyn	58	90%	\$1,633,779.12	\$1,800,000	10.3%	10/22/86	12/01/17	N/A	6	S
FHA 221(d)(4)	HoDAG/PLP	1290 & 1326 Grand Concourse	1997 Series A	Bronx	104	93%	\$2,133,231.59	\$2,412,200	10.25%	4/14/89	6/01/18	N/A	13	BA
FHA 221(d)(4)	HoDAG/PLP	Robin Housing 1197 & 1250 Grand Concourse	1997 Series A	Bronx	101	97%	\$1,656,058.94	\$1,883,100	10.25%	4/11/89	8/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	Artist's Housing 1220 Grand Concourse	1997 Series A	Bronx	23	100%	\$417,958.46	\$474,900	10.25%	9/27/89	6/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	Willoughby/Wyckoff Apartments	1997 Series A	Brooklyn	68	93%	\$1,287,017.20	\$1,459,900	10.25%	5/08/91	6/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	79-95 Woodruff Avenue	1997 Series A	Brooklyn	84	100%	\$1,296,518.05	\$1,463,700	10.25%	11/01/90	6/01/18	N/A	13	S
FHA 221(d)(4)	HoDAG/PLP	Revive 103 North 155-161 East 103rd Street	1997 Series A	Manhattan	30	93%	\$784,982.88	\$978,600	10.25%	4/27/89	8/01/19	N/A	13	S
SONYMA	Mod Rehab Section 8/PLP	Kamol Apartments	1995 Series A	Manhattan	48	96%	\$430,029.62	\$995,735	8.875%	4/04/89	11/01/02	12/01/03 12/15/04	8	S
SONYMA	PLP	Allerton Coops	1995 Series A	Bronx	698	99%	\$4,085,566.50	\$6,094,365	8.875%	2/29/88	5/01/07	N/A	8	S
SONYMA	PLP	Met Houses III	1995 Series A	Queens	468	100%	\$3,361,000.30	\$5,432,051	8.875%	9/30/87	4/01/06	N/A	8	S
SONYMA	PLP	White Star Houses	1995 Series A	Manhattan	52	96%	\$324,625.43	\$549,147	8.875%	9/23/87	10/01/05	N/A	8	S
SONYMA	PLP	275 Linden Boulevard	1995 Series A	Brooklyn	101	100%	\$446,387.16	\$1,047,161	8.875%	1/10/86	10/01/05	N/A	8	S
SONYMA	PLP	217 Ocean Avenue	1995 Series A	Brooklyn	49	100%	\$309,221.38	\$499,765	8.875%	6/30/87	4/01/06	N/A	8	S
SONYMA	PLP	901 Washington Avenue	1995 Series A	Brooklyn	102	98%	\$658,391.39	\$1,186,609	9.125% ^{††††}	9/10/85	4/01/05	N/A	8	S

† Unless otherwise noted, Section 8 refers to the Section 8 New Construction/Substantial Rehabilitation Program.

†† Where there is more than one expiration date, the Development was completed in two or more stages.

††† Physical inspection ratings determined by the Corporation are as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

†††† The Corporation has granted its consent for the prepayment of this Mortgage Loan; the Mortgagor of this Development intends to prepay this Mortgage Loan in full.

Supplemental Security	Subsidy Program(s)	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection†
GNMA	HAC	1010 Development ^{††}	1995 Series A	Brooklyn	16	88%	\$782,771.85	\$919,800	9.18%	7/01/86	1/01/15	1/01/15	7	S
GNMA	HAC	Logan Plaza Apartments ^{††}	1995 Series A	Manhattan	130	99%	\$9,045,894.11	\$10,291,000	9.18% ^{†††}	12/23/88	4/01/16	4/01/16	7	S
GNMA	HAC	United Help/Selfhelp Sheltered Extension (a/k/a Scheuer House of Flushing) ^{††}	1995 Series A	Queens	155	92%	\$11,623,886.56	\$13,229,700	9.18%	3/20/90	2/01/16	2/01/16	7	S
GNMA	HAC	2051 Grand Concourse ^{††}	1997 Series A	Bronx	63	100%	\$4,006,597.08	\$4,450,000	8.94%	3/09/89	8/01/18	8/01/18	13	S
N/A	PLP	591 E. 165th Street	1994 Series A	Bronx	30	100%	\$222,859.85	\$239,400	8.95%	6/09/95	10/01/14	N/A	9	S
N/A	PLP	675 Coster Street	1994 Series A	Bronx	33	100%	\$271,672.36	\$297,823	8.95%	6/06/94	8/01/11	N/A	9	S
N/A	PLP	889 and 840 Dawson Street	1994 Series A	Bronx	96	98%	\$1,092,958.46	\$1,120,000	8.95%	3/15/93	3/01/25	N/A	9	S
N/A	PLP	1038, 1051, 1058, 1057, 1061, 1063-65 & 1077 Boston Road	1994 Series A	Bronx	149	98%	\$839,269.45	\$911,334	8.95%	10/01/92	2/01/11	N/A	9	S
N/A	PLP	5201 Snyder Avenue	1994 Series A	Brooklyn	32	97%	\$291,036.85	\$318,278	8.95%	7/13/95	12/01/10	N/A	9	S
N/A	PLP	480 Nostrand Avenue	1994 Series A	Brooklyn	25	100%	\$233,415.96	\$250,000	8.95%	11/11/95	6/01/11	N/A	9	S
N/A	PLP	9 W. 137th Street	1994 Series A	Manhattan	17	100%	\$254,912.78	\$270,329	8.95%	11/02/95	12/01/11	N/A	9	S
N/A	PLP	759, 763, 787 & 753 Greene Avenue	1994 Series A	Brooklyn	41	100%	\$156,506.36	\$164,000	8.75%	9/14/95	12/01/11	N/A	9	S
N/A	PLP	988 & 992 Boston Road	1994 Series A	Bronx	31	100%	\$116,545.02	\$122,800	8.95%	12/08/95	11/01/11	N/A	9	S
N/A	PLP	1/5/7 West 137th Street	1994 Series A	Manhattan	51	100%	\$582,513.33	\$602,000	8.95%	10/26/95	8/01/16	N/A	9	S

† Physical inspection ratings determined by the Corporation as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

†† The Corporation does not service the Mortgage Loan related to this Development.

††† The Corporation has received a request from the Mortgagor of this Development to reduce its mortgage interest rate. The Corporation and the Mortgagor are currently attempting to implement a reduction in the interest rate.

Supplemental Security	Subsidy Program(s)	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date†	Prepayment Category (see Appendix E-3)	Physical Inspection†
N/A	PLP	110 W. 111th Street & 245 W. 113th Street	1994 Series A	Manhattan	48	100%	\$530,223.59	\$550,080	8.95%	12/09/96	4/01/12	N/A	9	S
N/A	PLP	302-306 Willis Avenue	1994 Series A	Bronx	35	100%	\$362,759.26	\$373,000	8.95%	2/10/97	7/10/12	N/A	9	N/A
N/A	PLP	651 Southern Boulevard	1994 Series A	Bronx	41	98%	\$164,345.82	\$167,250	8.95%	2/12/97	7/01/16	N/A	9	N/A
N/A	PLP	Van Buren Street	1994 Series A	Brooklyn	65	99%	\$495,571.74	\$502,500	8.95%	11/26/96	9/01/16	N/A	9	S
N/A	PLP	Fifth Avenue Corridor	1994 Series A	Brooklyn	36	100%	\$623,416.06	\$631,000	8.95%	6/11/96	11/01/16	N/A	9	N/A
N/A	PLP	216 & 224 W. 141st Street	1997 Series B	Manhattan	31	100%	\$1,340,065.08	\$1,342,000	3% (years 1-20) 1% (years 21-30)	2/11/98	5/01/28	N/A	14	N/A
N/A	PLP	236 Greene Avenue	1997 Series C	Brooklyn	16	100%	\$643,791.89	\$645,124	7.25%	7/22/97	3/01/25	N/A	15	N/A
N/A	PLP	128-136 Edgecombe Avenue	1997 Series C	Manhattan	67	88%	\$997,281.81	\$1,000,000	8.00%	5/23/95	9/01/23	N/A	15	N/A
N/A	PLP	54 Vermilyea Avenue	1997 Series C	Manhattan	20	100%	\$232,580.72	\$233,075	6.95%	6/19/97	4/01/17	N/A	15	N/A
N/A	PLP	1544 Park Place	1997 Series C	Brooklyn	34	97%	\$460,000.00	\$460,000	7.25%	12/30/96	6/01/16	N/A	15	N/A
N/A	PLP	Clarkson Gardens	1997 Series C	Brooklyn	105	94%	\$1,915,263.34	\$2,000,000	7.65%	1/10/92	11/01/15	N/A	15	S
N/A	PLP	932-8 Eastern Parkway	1997 Series C	Brooklyn	24	100%	\$802,310.25	\$814,000	7.40%	10/16/96	10/01/16	N/A	15	N/A
N/A	PLP	630 West 135th Street	1997 Series C	Manhattan	31	100%	\$230,851.99	\$234,262	7.28%	5/22/96	10/01/16	N/A	15	N/A
N/A	PLP	171 Rockaway Boulevard	1997 Series C	Brooklyn	44	100%	\$96,679.69	\$98,000	8.95%	12/03/96	12/01/12	N/A	15	N/A

† Physical inspection ratings determined by the Corporation as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

Supplemental Security	Subsidy Program(s)	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Outstanding Mortgage Balance	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date [†]	Prepayment Category (see Appendix E-3)	Physical Inspection [†]
N/A	Section 236	Linden Plaza ^{††}	1996 Series A	Brooklyn	1527	97%	\$40,424,725.48	\$50,301,387.88	6.0019% (\$48,560,652.50) 6.33652%	10/71	5/01/23	5/01/23	10	S
N/A	Section 236	Ocean Park ^{††}	1996 Series A	Queens	602	97%	\$15,170,079.47	\$18,265,900	7.02%	2/72	5/01/22	5/01/22	10	S
N/A	Section 236	Washington Plaza/ Independence Plaza ^{††}	1996 Series A	Manhattan	1332	97%	\$54,055,410.62	\$63,644,650	7.050492% (\$53,421,050) 9.9720% (\$10,223,600) 7.60%	9/74	5/01/22	5/01/22	10	S
N/A	GML Art. 16	Two Bridges	1997 Series C	Manhattan	198	100%	\$7,498,261.16	\$7,541,997	8.00%	6/03/97	3/01/13	N/A	16	N/A
N/A	N/A	Kew Gardens ^{††}	1996 Series A	Queens	1269	96%	\$6,623,023.53	\$10,367,000	8.292844% ^{†††}	5/78	5/01/09	N/A	12	S
N/A	N/A	Ruppert/ Yorkville ^{††}	1996 Series A	Manhattan	1258	99%	\$29,554,158.15	\$35,532,755.04	8.2049% ^{†††} (\$2,012,700) 6.306246% ^{†††} (\$24,892,564.68) 6.3133% ^{†††} (\$31,920,255.04) 8.205% ^{†††} (\$3,612,500)	8/74	5/01/23	N/A	11	S
N/A	N/A	Waterside ^{††}	1996 Series A	Manhattan	1100	99%	\$52,005,837.15	\$61,577,000	7.0512% (\$52,208,100) 8.20505% (\$9,368,900)	8/73	5/01/23	N/A		
TOTAL					15,772		\$511,653,131.18	\$591,359,742						

† Physical inspection ratings determined by the Corporation as follows: SUP = superior; S = satisfactory; BA = below average; and U = unsatisfactory (see Appendix E-4).

†† The Mortgagor of the Development is regulated by HPD pursuant to the Mitchell-Lama Law.

††† The Corporation has been notified that the Mortgagor of this Development intends to prepay this Mortgage Loan which at the present time requires the consent of the Corporation.

†††† The Corporation has been notified that the Mortgagor of this Development intends to prepay this Mortgage Loan.

**DEVELOPMENTS AND MORTGAGE LOANS
OUTSTANDING UNDER THE PROGRAM
SUBSEQUENT TO MAY 31, 1998 THROUGH AUGUST 17, 1998**

Supplemental Security	Subsidy Program	Development Name	Series Resolution Issued Under	Borough	No. of Units	Occupancy Rate	Original Mortgage Balance	Mortgage Interest Rate	Date of Completion	Final Mortgage Maturity	HAP/TAC Expiration Date	Prepayment Category (see Appendix E-3)	Physical Inspection
N/A	PLP	1740 Grand Avenue	1997 Series C	Bronx	92	100%	\$1,107,738	7.25%	1/27/98	7/01/14	N/A	15	N/A
N/A	PLP	2733 Frederick Douglass Boulevard	1997 Series C	Manhattan	12	100%	\$406,000	6.92%	12/23/97	8/01/15	N/A	15	N/A
N/A	New HOP	421 DeGraw Street	1998 Series A	Brooklyn	90	.	\$7,713,000**	7.50%***	N/A	1/01/30	N/A	17	N/A
N/A	New HOP	58-12 Queens Boulevard	1998 Series A	Queens	122	.	\$17,600,000****	7.50%*****	N/A	9/01/30	N/A	17	N/A
TOTAL					316		\$26,826,738						

* Under construction.

** Anticipated permanent Mortgage Loan amount; as of August 17, 1998, \$657,882 had been advanced under this Mortgage Loan for construction.

*** 6.85% during construction.

**** Construction Mortgage Loan amount; as of August 17, 1998, \$754,217 had been advanced under this Mortgage Loan for construction, the permanent Mortgage Loan amount is anticipated to be \$11,825,000.

***** 7% during construction.

**DEVELOPMENTS AND MORTGAGE LOANS EXPECTED TO BE FINANCED WITH
THE PROCEEDS OF THE 1997 SERIES B BONDS, THE 1997 SERIES C BONDS AND 1998 SERIES A BONDS**

FROM 1997 SERIES B BOND PROCEEDS*

Development	Borough	Number of Units	Estimated Mortgage Amount	Expected Mortgage Term	Prepayment Category (see Appendix E-3)
229-31 E. 105th Street, 307-09 Pleasant Avenue, 117-119 E. 115th Street	Manhattan	54	\$2,635,000	30	14
55 E. 130th Street	Manhattan	25	\$968,000	30	14
144 W. 144th Street	Manhattan	16	\$675,000	30	14
542-48 & 552-58 W. 149th Street	Manhattan	36	\$1,659,000	30	14
55 W. 129th Street	Manhattan	40	\$1,818,000	30	14
1120-1122 Madison Avenue	Brooklyn	16	\$670,000	30	14
500 Nosstrand Avenue	Brooklyn	46	\$3,212,000	30	14
TOTAL		233	\$11,637,000		

* All Developments have commenced substantially rehabilitated under the Participation Loan Program; however, the Corporation may, in its sole discretion, substitute another Development. The Mortgage Loans expected to be financed with the proceeds of the 1997 Series B Bonds will not be subject to supplemental security.

FROM 1997 SERIES C BOND PROCEEDS*

Development	Borough	Number of Units	Project Type**	Estimated Mortgage Amount***	Expected Mortgage Term	Loan Status****	Expected Prepayment Category (see Appendix E-3)
243 13th Street	Brooklyn	50	MR	\$749,711	15	2,3	15
1985 & 1995 Creston Avenue	Bronx	85	MR	\$1,002,048	18	2,3	15
240 East 175th Street	Bronx	119	MR	\$963,750	19	2,3	15
466-470 West 150th Street	Manhattan	60	MR	\$760,314	22	2,3	15
1572 Lexington Avenue	Manhattan	13	SR	\$540,039	17	2,3	15
309 Alexander Avenue	Bronx	11	SR	\$222,000	15	2,3	15
326 & 340 Pleasant Avenue	Manhattan	10	SR	\$552,000	23	2,3	15
36 Crooke Avenue	Brooklyn	71	MR	\$1,108,869	19	2,3	15
887 & 889 Hunts Point Avenue	Bronx	46	Bldg 887=SR Bldg 889=MR	\$1,237,161	19	2,3	15
709-715 Lafayette Avenue	Brooklyn	24	SR	\$815,000	20	2,3	15
430-2 East 156th Street, 464 East 159th Street, 11 Longfellow Avenue, 1079-81 Hall Street	Bronx	108	MR	\$915,000	15	2,3	15
201 Pulaski Street & 305 Franklin Avenue	Brooklyn	17	SR	\$590,712	30	2,3	15
201 West 144th Street	Manhattan	20	MR	\$320,946	22	1,3	15
261 West 116th Street	Manhattan	16	MR	\$319,565	19	1,3	15

* All of the Developments are expected to utilize 1997 Series C Bond proceeds for permanent financing; however, the Corporation may, in its sole discretion, substitute another Development. The Mortgage Loans expected to be financed with the proceeds of the 1997 Series C Bonds will not be subject to supplemental security.

** Project Type: MR = Moderate Rehabilitation; SR = Substantial Rehabilitation.

*** The Mortgage Loans are expected to be financed from moneys of the Corporation as well as 1997 Series C Bond proceeds.

**** Loan Status: 1 = Under review by the Corporation, permanent commitment pending; 2 = Permanent commitment issued by the Corporation; 3 = Construction loan closed.

Development	Borough	Number of Units	Project Type*	Estimated Mortgage Amount**	Expected Mortgage Term	Loan Status***	Expected Prepayment Category (see Appendix E-3)
2224, 2259, 2285, & 2289 Adam C. Powell Boulevard	Manhattan	27	SR	\$406,086	19	2,3	15
21-23 & 29-31 East 104th Street	Manhattan	70	MR	\$1,144,000	19	2,3	15
610 West 178th Street	Manhattan	22	MR	\$208,711	19	2,3	15
2038 5th Avenue	Manhattan	7	SR	\$195,000	20	2,3	15
2195 & 2201 Walton Avenue, 2078 Morris Avenue, 2094 Creston Avenue, 1812 Harrison Avenue, 1 East Tremont Avenue	Bronx	203	MR	\$1,896,000	15	2,3	15
548-552 West 163rd Street	Manhattan	41	MR	\$645,893	30	2,3	15
205-213 West 145th Street	Manhattan	62	SR	\$1,612,431	30	1,3	15
344 Cabrini Boulevard	Manhattan	8	SR	\$256,000	19	2,3	15
530 Audubon Avenue	Manhattan	45	MR	\$757,800	19	2,3	15
1409 & 1415 St. Johns Place	Brooklyn	40	MR	\$690,000	19	2,3	15
West 149th Street & 7th Avenue (The Dunbar)	Manhattan	536	MR	\$4,357,323	30	2,3	15
36 West 131st Street	Manhattan	14	SR	\$430,885	19	2,3	15
2492, 2494 & 2052 Frederick Douglass Boulevard	Manhattan	27	SR	\$152,000	15	2,3	15
TOTAL		1,844		\$22,849,244			

* Project Type: MR = Moderate Rehabilitation; SR = Substantial Rehabilitation.

** The Mortgage Loans are expected to be financed from moneys of the Corporation as well as 1997 Series C Bond proceeds.

*** Loan Status: 1 = Under review by the Corporation, permanent commitment pending; 2 = Permanent commitment issued by the Corporation; 3 = Construction loan closed.

FROM 1998 SERIES A BOND PROCEEDS*

Development	Borough	Number of Units	Estimated Permanent Mortgage Amount	Expected Permanent Mortgage Term	Loan Status**	Expected Prepayment Category (see Appendix E-3)
79 Clifton Place	Brooklyn	40	\$3,800,000	30	2	17
287 Prospect Avenue	Brooklyn	52	\$4,740,000	30	2,3	17
39-07 208th Street	Queens	26	\$2,062,000	30	2,3	17
136-43 37th Avenue	Queens	60	\$6,685,000	30	1,3	17
66-02, 65-90 Austin Street	Queens	132	\$12,000,000	30	1	17
Palmer Avenue	Bronx	67	\$5,900,000	30	1	17
Celebration at Rainbow Hill	Staten Island	74	\$8,800,000	30	1	17
Total		451	\$43,987,000			

* Project Type: MR = Moderate Rehabilitation; SR = Substantial Rehabilitation.

** The Mortgage Loans are expected to be financed from moneys of the Corporation as well as 1997 Series C Bond proceeds.

*** Loan Status: 1 = Under review by the Corporation, permanent commitment pending; 2 = Permanent commitment issued by the Corporation; 3 = Construction loan closed.

MORTGAGE LOAN PREPAYMENT PROVISIONS

One of the following eighteen (18) categories of prepayment provisions applies to the prepayment of principal with respect to each of the outstanding Mortgage Loans. Appendices E-1 and E-2 denote which one of the eighteen (18) prepayment provisions applies to each outstanding Mortgage Loan and expected Mortgage Loan, respectively. The following chart summarizes the applicability of each prepayment category as of May 31, 1998.

Prepayment Category	Number of Mortgage Loans	Outstanding Principal Balance of Mortgage Loans*	Percentage of Total Outstanding Principal Balance of Mortgage Loans*
Category 1	8	\$36,702,826	7.17%
Category 2	6	\$47,178,574	9.22%
Category 3	6	\$25,624,081	5.01%
Category 4	7	\$64,370,612	12.58%
Category 5	8	\$40,536,310	7.92%
Category 6**	4	\$12,916,753	2.52%
Category 7	3	\$21,452,553	4.19%
Category 8	7	\$9,615,222	1.88%
Category 9	15	\$6,238,007	1.22%
Category 10	3	\$110,467,781	21.59%
Category 11	2	\$104,127,938	20.35%
Category 12	1	\$6,623,024	1.29%
Category 13	7	\$11,582,364	2.26%
Category 14	1	\$1,340,065	0.26%
Category 15***	8	\$5,378,760	1.05%
Category 16	1	\$7,498,201	1.47%
Category 17****	-	-	-
Category 18*****	-	-	-
TOTAL	87	\$511,653,131	100.00%

* May not add due to rounding.

** Subsequent to May 31, 1998, two (2) Mortgage Loans with an aggregate outstanding mortgage loan balance of \$10,153,116, as of May 31, 1998, were prepaid in full.

*** Subsequent to May 31, 1998 through August 17, 1998, two (2) Mortgage Loans with an aggregate outstanding mortgage loan balance of \$1,513,738 were funded.

**** Expected prepayment category for the Mortgage Loans funded by 1998 Series A Bond proceeds. Subsequent to May 31, 1998 through August 17, 1998, one (1) Mortgage Loan with an anticipated mortgage loan amount of \$7,713,000 was funded; as of August 17, 1998, \$657,882 had been advanced under this Mortgage Loan for construction. In addition, subsequent to May 31, 1998 through August 17, 1998, one (1) Mortgage Loan with a construction loan mortgage amount of \$17,600,000 was funded; as of August 17, 1998, \$754,217 had been advanced under this Mortgage Loan for construction and the permanent mortgage loan amount is anticipated to be \$11,825,000.

***** Expected prepayment category for the 1998 Series B Mortgage Loan.

The 1998 Series B Mortgage Loan is governed by the prepayment terms set forth in Category 18. Any prepayment premium or penalty described below (except for the premium described in Category 9 and Category 18) shall not constitute a Pledged Receipt or Recovery of Principal.

Category 1. Prepayments of the principal amount of a Mortgage Loan may be made only with the approval of FHA upon giving the Corporation at least thirty (30) days' prior written notice. Any such prepayment may be made on any May 1 or November 1. In the event that any prepayment of principal is made, the Mortgagor must pay to the Corporation such fees and charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. With the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 2. Prepayments of the principal amount of a Mortgage Loan may be made only with the written approval of FHA and the Corporation. The Corporation will grant such approval only if it determines that such a prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) the date which is 21 years after the date on which any units in such Development are first occupied or (ii) the date on which assistance under the HAP Contract relating to such Development is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a penalty or charge in the amount equal to (i) a premium of three percent (3%) of the amount of such prepayment less one-half percent (1/2%) for each twelve (12) month period which has elapsed from May 1, 1993 to the time prepayment is made until the premium reaches zero and (ii) such other fees and charges which are reasonable, as determined by FHA and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 3. The prepayment terms for a Mortgage Loan in Category 3 are identical in all respect to the terms set forth in Category 2 except that no premium is due and no prepayment shall be made prior to the latest of (i) the date which is 10 years after the date on which 50% of the units in the Development are first occupied, (ii) the date which is 22 years and 4 months after the date on which any unit in the Development is first occupied or (iii) the date on which assistance under the HAP Contract with respect to such Development is terminated.

Category 4. Prepayments of the principal amount of a Mortgage Loan may be made in whole or in part on the first day of any month upon thirty (30) days' written notice to the Corporation. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a penalty or charge in an amount

equal to (i) a premium of three percent (3%) of the amount of such prepayment, which shall be reduced by one-half percent (1/2%) for each twelve (12) month period which has elapsed from May 1, 1993 to the time prepayment is made until the premium reaches zero, and (ii) such other fees and charges which are reasonable, as determined by FHA and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds. Notwithstanding the foregoing, a Mortgagor is permitted to prepay up to fifteen percent (15%) of the original principal amount of its Mortgage Loan without penalty in each calendar year.

In the event of a partial prepayment, the remaining principal amount will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 5. The prepayment terms of a Mortgage Loan in Category 5 are identical in all respects to the terms set forth in Category 4 except that no premium is due.

Category 6. Prepayment of the principal amount of a Mortgage Loan may be made only with the approval of FHA and the Corporation. The Corporation will grant such approval only if it determines that such a prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) the date which is sixteen (16) years and three (3) months after the date on which any unit in the Development is first occupied or (ii) the date on which assistance under the HAP Contract relating to such Development, if any, is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a penalty or charge in an amount equal to such fees and charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, will be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation, FHA and the Trustee. Notwithstanding the prior paragraph, with the consent of the Corporation and FHA, prepayment of a Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for any fees or charges which are reasonable, as determined by FHA, and which are related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Category 7. Prepayments of the principal amount of a Mortgage Loan may be made only upon giving the Mortgage Banker at least thirty (30) days' prior written notice. Any such prepayment may be made on any Mortgage Loan payment date only upon payment to the Mortgage Banker of certain costs, if any.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Mortgage Banker and FHA. Notwithstanding the prior paragraph, with the consent of the Mortgage Banker and FHA, prepayment of the principal amount of a Mortgage Loan may be made in whole or part from the proceeds of insurance or condemnation without a penalty or charge.

Category 8. Prepayments of the principal amount of a Mortgage Loan may be made only with the written approval of the Corporation. The Corporation will grant such approval only if it determines that such prepayment would not affect the tax-exempt status of the bonds issued to finance the Mortgage Loan. A prepayment may not be made prior to the later of (i) ten (10) years nine (9) months after the date on which the Mortgage Loan was made (i.e. shortly after completion of the Development) or (ii) the date on which assistance under the HAP Contract relating to the Development is terminated. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a penalty or charge in an amount equal to (i) two percent (2%) of the amount of such prepayment less one-half percent (1/2%) for each twelve (12) month period which has elapsed after November 1, 1995 until the premium reaches zero and (ii) certain other fees and charges, if any.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 9. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2004. Thereafter, upon sixty (60) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after November 1, 2004 until the premium reaches zero.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 10. Prepayments of the principal amount of a Mortgage Loan may be made at any time upon payment of such amount and certain other fees and charges. See "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs—The Section 236 Program" and "—The Mitchell-Lama Program" for a discussion of other factors concerning prepayment of a Mortgage Loan.

Category 11. Prepayments of the principal amount of a Mortgage Loan may be made at any time upon payment of such amount and certain other fees and charges. See "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs—The Mitchell-Lama Program" for a discussion of other factors concerning prepayment of a Mortgage Loan.

Category 12. Prepayments of the principal amount of this Mortgage Loan may not be made without the prior written consent of both the Corporation and the holder of another mortgage note, which is secured by the same Mortgage, but not pledged to the owner of the Bonds. Any prepayment of the principal amount of the Mortgage Loan permitted by the Corporation and such other holder would include the payment of certain other fees and charges. See "Appendix F—Description of Supplemental Security, Subsidy and Mitchell-Lama Programs—The Mitchell-Lama Program" for a discussion of other factors concerning prepayment of this Mortgage Loan. The holder of the other mortgage note has certain rights

including, but not limited to, foreclosure under certain circumstances. See "THE PROGRAM—Certain Factors Affecting the Mortgage Loans—New York Foreclosure Procedures and Bankruptcy."

Category 13. Prepayments of the principal amount of a Mortgage Loan may be made only upon giving the holder of the Mortgage Loan (either the Corporation or the Mortgage Banker) at least thirty (30) days' prior written notice. Any such prepayment may be made on any Mortgage Loan payment date on or after July 1, 1997, and only upon payment to the holder of the Mortgage Loan of a penalty or charge at the date of such prepayment in the amount equal to (i) two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed thereafter until the prepayment premium reaches zero and (ii) certain other costs, if any.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the holder of the Mortgage Loan and FHA. Notwithstanding the prior paragraph, prepayment of the principal amount of a Mortgage Loan may be made in whole or in part at any time without a penalty or charge (i) from the proceeds of insurance or condemnation or (ii) if HUD determines that such prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the federal government.

Category 14. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to May 1, 2007. Thereafter, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after May 1, 2007 until the premium reaches zero.

Notwithstanding the prior paragraph, under certain circumstances, at the election of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 15. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to the tenth anniversary of the Mortgage Loan closing, which closing typically occurs shortly after the completion of the Development. Thereafter, upon sixty (60) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after the tenth anniversary of the Mortgage Loan closing until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

Notwithstanding the prior paragraph, under certain circumstances, at the election of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 16. The prepayment terms of the Mortgage Loan in Category 16 are identical in all respects to the terms set forth in Category 15 except that the Mortgagor is not required to pay any premium after the tenth anniversary of the Mortgage Loan closing.

Category 17. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to May 1, 2008. Thereafter, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to two percent (2%) of the amount of such prepayment less one percent (1%) for each twelve (12) month period which has elapsed after May 1, 2008 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

Category 18. No prepayment is permitted if any amounts are due and owing under a Mortgage Loan or an event of default has occurred under a Mortgage Loan unless the written approval of the Corporation is obtained. In addition, the Mortgagor is prohibited from making any prepayment prior to November 1, 2008. Thereafter, upon thirty (30) days' written notice to the Corporation, the Mortgagor may prepay the principal amount of a Mortgage Loan provided that the Mortgagor pays to the Corporation a premium equal to one and one-half percent (1.50%) of the amount of such prepayment less three-quarters of one percent (.75%) for each twelve (12) month period which has elapsed after November 1, 2008 until the premium reaches zero. In the event that any prepayment is made, the Mortgagor must pay to the Corporation a charge related to the Corporation's cost of redeeming the allocable portion of the Bonds.

In the event of a partial prepayment, the remaining principal amount, if any, would be recast over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Corporation. Notwithstanding the prior paragraph, with the consent of the Corporation, prepayment of the principal amount of the Mortgage Loan may be made in whole or in part from the proceeds of insurance or condemnation without a penalty or charge except for certain other fees and charges, if any.

MORTGAGE LOAN PHYSICAL INSPECTION RATINGS

The Corporation generally conducts an annual site review of each Development to monitor its physical condition. During this review, the Corporation undertakes various procedures to monitor both the exterior and interior physical condition of the Developments. The exterior review includes an inspection of exterior walls and foundations, roofs, exterior walkways, security systems, and gas, water and sewage systems. The Corporation's interior review includes an inspection of floors, stairs, interior walkways, community space, electrical and plumbing fixtures, heating and air conditioning systems, and boiler facilities. In addition, the Corporation inspects, among other things, each Development's play areas, elevators, and fire and safety safeguards.

The Corporation's inspection ratings for the Developments include four rating levels: superior, satisfactory, below average and unsatisfactory. Appendix E-1 denotes which one of the four rating levels applies to each outstanding inspected Development. The following chart summarizes the applicability of each physical inspection rating level as of May 31, 1998.

Physical Inspection	Number of Mortgage Loans	Outstanding Principal Balance of Mortgage Loans*	Percentage of Total Outstanding Principal Balance of Mortgage Loans*
Superior	1	\$13,988,596	2.82%
Satisfactory**	64	\$429,167,764	86.56%
Below Average	8	\$52,651,273	10.62%
Unsatisfactory	0	\$0	0.00%
TOTAL	73***	\$495,807,633	100.00%

Superior

This rating is assigned based on a physical inspection that reveals no fire and safety violations; no roof or boiler leakage; no structural deficiencies; strict implementation of maintenance practices; adequate funds

* May not add due to rounding.

** Subsequent to May 31, 1998, two (2) Mortgage Loans with an aggregate outstanding principal balance of \$10,153,116, as of May 31, 1998, were prepaid in full.

*** Developments with Mortgage Loans made within the past twelve (12) months may not yet have been inspected by the Corporation. These include twelve (12) Mortgage Loans made prior to May 31, 1998 and four (4) Mortgage Loans made subsequent to May 31, 1998 through August 17, 1998.

available to make necessary repairs; and overall attractive physical plant with highly presentable public and utility areas.

Satisfactory

This rating is assigned based on a physical inspection that reveals only minor violations in the Development which the Corporation believes management will cure; no structural deficiencies; no fire and safety violations; and basic adherence to maintenance practices.

Below Average

This rating is assigned based on a physical inspection that reveals an inoperable fire alarm control system for the Development regardless of other existing conditions; other fire and safety hazards in the Development; inoperable elevators; and/or structural deficiencies. Failure to correct all deficiencies after a satisfactory review may result in a below average rating on a subsequent review.

Unsatisfactory

This rating is assigned based on a physical inspection that reveals repeat violations including those covered under a below average rating; hazardous conditions throughout the Development including structural damage, leaking roofs and boilers; unattractive public and/or utility areas; and/or failure to correct deficiencies despite written warnings on at least two (2) occasions.

**DESCRIPTION OF SUPPLEMENTAL SECURITY,
SUBSIDY AND MITCHELL-LAMA PROGRAMS**

The FHA Insurance Program

General. The following describes briefly the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Sections 220, 221(d)(3) and 221(d)(4) of Title II of the National Housing Act and is qualified in its entirety by reference to the National Housing Act and the regulations thereunder. The applicable FHA regulations regarding such Sections of the National Housing Act are contained in Part 200, Part 220 and Part 221, respectively, of Title 24 of the Code of Federal Regulations and, with certain exceptions, incorporate by reference the provisions of Subpart A, Part 207 of Title 24 of the Code of Federal Regulations concerning eligibility requirements of mortgages covering multi-family housing under Section 207 of the National Housing Act and the provisions of Subpart B, Part 207 of Title 24 of the Code of Federal Regulations concerning the contract rights and obligations of the mortgagee with respect to mortgages insured under Section 207 of the National Housing Act. In the event of a conflict between the documents governing the FHA Mortgage Loans, the National Housing Act or the FHA rules, regulations and program requirements and the Resolutions, the documents governing the FHA Mortgage Loans or provisions of the National Housing Act and FHA rules, regulations and program requirements will be controlling. FHA Insurance benefits under the program are available only if the mortgagee of record is an FHA-approved mortgagee. The Corporation has been an FHA-approved mortgagee under the FHA Insurance program since 1972.

FHA regulations define a default under an FHA insured mortgage (including the note incorporated therein) as: (1) a failure to make any payments due under such mortgage or (2) a failure to perform any other mortgage covenant (which includes covenants in the regulatory agreement executed in connection with such FHA insured mortgage) if the mortgagee, because of such failure, has accelerated the debt. In the event that there is a default beyond applicable notice and grace periods under the FHA regulatory agreement and FHA so requests, the mortgagee, at its option, may declare the whole indebtedness due and payable. Furthermore, the FHA regulations provide that upon notice of a violation of a mortgage covenant, FHA reserves the right to require the mortgagee to accelerate payment of the outstanding principal in order to protect FHA's interests. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements.

It is the responsibility of the mortgagee to notify FHA in the event of such a default by the mortgagor under the mortgage note or mortgage. FHA regulations further require the mortgagee to make an election, within forty-five (45) days after the date on which the mortgagee becomes eligible to receive FHA Insurance benefits, (i) to assign the mortgage to FHA or (ii) to acquire title to and convey the project property to FHA, unless such time period is extended by FHA.

The mortgagee is required to submit all required documentation within forty-five (45) days of the date the mortgage is assigned to FHA unless the time is extended by FHA. The documentation required to be supplied to FHA includes the mortgage note, the mortgage, the security agreement, the financing statements, the title policy, the hazard policy and other instruments, together with assignments of such documents to FHA. If the election is not made or the documents are not delivered within the forty-five

(45) days allowed, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the mortgage insurance claim is finally paid, unless FHA has agreed to extend the period with interest.

The FHA Insurance benefits received in the event of any claim under the FHA Insurance contract will be subject to certain deductions. The mortgagee will be entitled to settlement of the insurance claim in cash (or, if elected by the mortgagee, in FHA debentures), upon assignment of the mortgage, in an amount equal to 99% of the amount of the principal balance of a defaulted mortgage loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the mortgagee for the benefit of the development and not assigned to FHA. However, the Corporation has covenanted in the applicable Supplemental Resolutions to receive insurance claim settlements in cash. FHA Insurance benefits include the payment of interest at the FHA debenture rate on the amount of the insurance claim from the date of default to the date the claim is paid (or such earlier date by which the mortgagee is required to file the election to assign the mortgage or complete submissions as described above, if the mortgagee fails to take such action on a timely basis). The interest rate on the FHA debentures is the rate in effect as of the date of the commitment for FHA Insurance or as of the date of initial endorsement of the note by FHA, whichever is higher. In the case of a monetary default, the date of default is deemed to be the date on which payment on the mortgage loan originally should have been received.

In connection with a claim for FHA Insurance benefits, FHA may require delivery to it of certain cash items. Cash items are defined to include, among other things, any cash held by or on behalf of the mortgagee which has not been applied to reduce the mortgage, funds held by the mortgagee for the account of the mortgagor, any unadvanced balance of the insured note and any undrawn balance under letters of credit delivered to the mortgagee in connection with endorsement of the insured note. The mortgagee is responsible for all funds in its custody and must therefore obtain approval from FHA and others when required, prior to release of any funds which may be in its possession. Failure properly to protect such funds may result in a deduction from the FHA Insurance benefits in an amount equal to the funds FHA asserts should have properly been held as a deposit.

In the event of an assignment, in order to receive FHA Insurance benefits, FHA requires the mortgagee to warrant that: (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanic's and materialmen's liens filed on record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage, except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the insured note and mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the insured note and mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage, or its security interest in building components stored either on-site or off-site at the time of assignment, the mortgagee is required to warrant that: (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for such other liens or encumbrances as may be approved by FHA.

The mortgagee will be required to furnish FHA with a title insurance policy or policies which name FHA as an insured party and which assure that the mortgage constitutes a first lien on the project, subject only to such exceptions previously approved by FHA. The mortgagee will be required to remove any unapproved intervening liens and to obtain an updated title endorsement within the 45-day period (or such longer period as may be approved by FHA) during which documents are required to be submitted. FHA will deduct the amount of any unapproved liens which have priority over the insured mortgage lien from the mortgage insurance benefits.

FHA typically pays a portion of an insurance claim prior to the delivery of all required documentation, including the mortgage note and the mortgage. If a claim is made, FHA will usually, but is not obligated to, pay 90% of the outstanding principal balance of the note within fifteen days of the recordation of an assignment of the mortgage to FHA. Remaining balances are paid to the mortgagee after FHA has received final financial data and final legal clearance has been received. During the period from the date of default on the mortgage until final payment (or such earlier date by which the mortgagee is required to complete submissions as described above), FHA pays interest on the remaining unpaid amount of the insurance claim at the FHA debenture rate.

FHA requires the maintenance of specified casualty insurance on mortgaged properties. The mortgagee must obtain such coverage in the event the mortgagor fails to do so. If the mortgagee fails to pay any premiums necessary to keep the mortgaged property so insured, the mortgage insurance may be terminated at the election of FHA. Alternatively, failure to maintain such insurance at the required levels may result in loss of FHA Insurance benefits in the event the mortgage is assigned to FHA and there are uncompensated amounts arising out of a casualty loss unless, at the time of initial endorsement of the note by FHA, the related project was covered by casualty insurance and such insurance was later canceled or not renewed and the mortgagee gave notice thereof to FHA within 30 days, or within such further time as FHA may approve, accompanied by a certification that diligent efforts to obtain casualty insurance at reasonably competitive rates were unsuccessful and that efforts to obtain adequate insurance coverage at competitive rates will be continued.

Regulatory Agreement, Rent Adjustments and HUD's Supervisory Powers. Under the form of regulatory agreement used in connection with developments financed pursuant to FHA insured mortgage loans (the "Regulatory Agreement"), the mortgagor is required, among other things, to make all payments due under the mortgage loan and to pay a specified amount monthly into the reserve fund for replacements, which must at all times be under the control of state or local housing finance agencies (the "HFA") and disbursements from which may be made only with HUD's consent or, if authorized by HUD, with the consent of the HFA. In addition, the mortgagor must deposit all rents and other receipts of the development in a development bank account and may withdraw funds from such account only in accordance with the Regulatory Agreement for expenses of the development, certain required remittances to HUD, or distributions of return on equity. For projects subject to rent regulation by HUD (except for projects assisted with Section 8 contracts), rental increases may be made only with the approval of HUD. At any time HUD will consider a written request for a rental increase if such request is properly supported by substantiating evidence. Within a reasonable time HUD must either:

- (1) approve an increase in the rental schedule to compensate for any net increase in taxes other than income taxes and in operating and maintenance expenses over which the mortgagor has no effective control; or
- (2) deny the increase, stating the reasons therefor.

Rent increases for projects assisted with Section 8 contracts are governed by the provisions of the applicable Section 8 contract. Generally, projects insured under Sections 220 and 221(d)(4) of the National Housing Act are not subject to rent regulation by HUD, with certain project-by-project exceptions.

The Regulatory Agreement also contains provisions detailing requirements for tenant eligibility and enforcement mechanisms thereof, requiring nondiscrimination on account of children, race, color, religion, creed, sex or national origin, and permissible uses of, or changes to, the development. In particular, the Regulatory Agreement prohibits the conveyance, transference or encumbrance of the development or any right to manage the development without the prior written approval of HUD. The mortgagor may not make, receive, or retain any distribution of assets or income from the development except from "surplus cash" and only as permitted under the Regulatory Agreement and applicable laws.

The mortgagor is also prohibited, without the prior written approval of HUD, from remodeling, adding to or demolishing any part of the development or engaging in any other business or activity or incurring any obligation or liability not in connection with the development or requiring as a condition of occupancy of any unit a deposit greater than the prepayment of the first month's rent plus a security deposit of one month's rent or permitting the use of the development for any use except the use that was originally intended.

The development and all books, records, and documents relating thereto are required to be subject to examination and inspection at any reasonable time by HUD. Books and accounts of the development are to be kept in accordance with HUD requirements and complete annual financial reports are to be furnished to HUD within sixty (60) days of the end of each fiscal year.

In the event of a violation in the performance of the mortgagor's obligations under the Regulatory Agreement and the mortgagor's failure to cure such violation after receiving notice from HUD, even in the absence of a default under a mortgage note or a mortgage, HUD may (a) notify the HFA of such default and request the HFA to declare a default under the mortgage note and the mortgage, and the HFA may, at its option, declare the whole indebtedness due and thereupon proceed with foreclosure of the mortgage or assign the mortgage note and the mortgage to HUD, (b) collect all rents and charges in connection with the operation of the development and use such collections to pay the mortgagor's obligations under the Regulatory Agreement, the mortgage note and the mortgage and the expenses of maintaining the development, (c) take possession of and operate the development, and (d) apply for an injunction, appointment of a receiver or such other relief as may be appropriate.

The Regulatory Agreement provides that the mortgagor of the development assumes no personal liability for payments due under the related mortgage note and mortgage, for the reserve for replacements or for matters not under its control. The Regulatory Agreement does provide, however, that the mortgagor is liable for funds or property of the development in the possession of the mortgagor and which the mortgagor is not entitled to retain, and for the mortgagor's actions, or those of others which the mortgagor has authorized, in violation of the Regulatory Agreement.

Loss of FHA Insurance. The failure to maintain adequate casualty insurance on a development may result in the partial or full loss of the FHA Insurance benefits in the event of damage to or destruction of such development. FHA Insurance benefits may also be lost for failure to pay required FHA mortgage insurance premiums or failure to provide FHA with required notices. FHA Insurance benefits may also be denied if fraudulent statements were made to FHA by the HFA or by the mortgagor with the knowledge of the HFA.

GNMA Mortgage-Backed Securities Program

GNMA Securities are "fully-modified, pass-through" securities which require the Mortgage Banker that issued such GNMA Securities or its assignee (i) to make monthly payments of principal and interest on the aggregate principal balance thereof to the holder of the GNMA Securities, whether or not the Mortgage Banker receives payments on the mortgage loans backing the GNMA Securities from the mortgagor, and (ii) to pass through any prepayments of principal and premiums on the mortgage loans received by the Mortgage Banker. GNMA Securities are guaranteed as to full and timely payment of principal and interest by GNMA, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office in Washington, D.C.

GNMA Guaranty. GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on securities which are based on and backed by, among other things, an FHA insured mortgage loan under the National Housing Act. Section 306(g) of the National Housing Act provides further that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that under Section 306(g) of the National Housing Act, such guarantees of mortgage-backed securities (of the type to be delivered to the Trustee on behalf of the Corporation) are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

GNMA guarantees the timely payment of the principal of and interest on the GNMA Security by the Mortgage Banker. Interest and principal payments on the underlying mortgage loans received by the Mortgage Banker from the mortgagor are the primary source of monies for payments on the GNMA Securities. If such payments are less than what is due under the GNMA Security, the Mortgage Banker is obligated to advance its own funds to insure timely payment of all amounts coming due on the GNMA Security. GNMA guarantees such timely payment to the holder of the GNMA Securities by the Mortgage Banker whether or not made by a mortgagor. If such payments are not received as scheduled, the holder of the GNMA Securities has recourse directly to GNMA. The GNMA Securities do not constitute a liability of, nor evidence any recourse against, the Mortgage Banker as the issuer of the GNMA Securities, but recourse thereon is solely against GNMA.

In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury in an amount outstanding at any time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on a GNMA Security. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty. GNMA further warrants to the holder of each GNMA Security, that, in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on a GNMA Security, it will, if necessary, in accordance with Section 306(d) of the National Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

Under the GNMA Mortgage-Backed Securities Program, the Mortgage Banker is obligated to execute a Guaranty Agreement which provides that, in the event of a default by the Mortgage Banker,

including (i) a request to GNMA to make a payment of principal or interest on a GNMA Security, (ii) the insolvency of the Mortgage Banker, or (iii) a default by the Mortgage Banker under any other Guaranty Agreement with GNMA, GNMA shall have the right to extinguish the Mortgage Banker's interest in the mortgage loans that back GNMA Securities, which then shall become the absolute property of GNMA, subject only to the unsatisfied rights of the owners of the GNMA Securities. In such event, the GNMA Guaranty Agreement provides that GNMA shall be the successor in all respects to the Mortgage Banker in its capacity under the GNMA Guaranty Agreement and shall be subject to all responsibilities, duties and liabilities (except the Mortgage Banker's Indemnification of GNMA) of the Mortgage Banker pursuant to the GNMA Guaranty Agreement. GNMA may contract for another eligible issuer of GNMA Securities to undertake and agree to assume any part or all of such responsibilities, duties or liabilities of the Mortgage Banker, as long as no such agreement detracts from or diminishes the responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the GNMA Security or otherwise adversely affects the rights of the owners of the GNMA Securities.

Payment of Principal and Interest on the GNMA Securities. GNMA Securities provide that accrued interest for thirty (30) days is payable by the Mortgage Banker to the holder of the GNMA Securities on the fifteenth (15th) of each successive month thereafter until maturity of the GNMA Security. The GNMA Securities are payable in equal monthly installments, subject to prepayment. The aggregate amount of principal due on the GNMA Securities is in an amount equal to the scheduled principal amortization currently due on the underlying mortgage note.

Each of the monthly installments is subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the mortgage note. In any event, the Mortgage Banker is obligated to pay to the holder of the GNMA Securities, monthly installments of not less than the interest due on the GNMA Securities at the rate specified in the GNMA Securities, together with any scheduled installments of principal whether or not collected from the mortgagor, and any prepayments or early recoveries of principal (including insurance proceeds and condemnation awards that are applied to principal and FHA insurance benefits) and prepayment premiums paid under the Mortgage Note. Final payment shall be made upon surrender of each outstanding GNMA Security. Any such prepayment could result in the redemption of Bonds at any time.

In the event that a mortgagor defaults under an FHA insured mortgage loan that backs a GNMA Security, the Mortgage Banker may elect to file a claim for FHA Insurance benefits. See "The FHA Insurance Program" above.

Under the GNMA Mortgage-Backed Securities Program, the Mortgage Banker is required to service and otherwise administer the mortgage loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer Guide. The monthly remuneration of the Mortgage Banker, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of GNMA Securities outstanding. Repayment of principal on such GNMA Securities will be based on repayment of the respective mortgage note which, because of the 0.25% higher interest rate, will occur more slowly than would repayment by equal installments of principal and interest at the interest rate on the GNMA Securities.

The SONYMA Insurance Program

General. The State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the "SONYMA Act"), authorizes SONYMA, a public benefit corporation of the State,

among other things, to enter into commitments to insure mortgages and contracts of mortgage insurance and to fulfill its obligations and enforce its rights under any insurance so furnished. Part II of the SONYMA Act, authorizing the mortgage insurance program, was adopted by the State Legislature in 1978 to encourage financial institutions to make mortgage loans in neighborhoods suffering from disinvestment by providing mortgage insurance to minimize the investment risk. In 1989, the SONYMA Act was amended to authorize SONYMA to provide insurance for a loan or pool of loans (a) when the property is located in an "economic development zone" as defined under State law, (b) when the property will provide affordable housing, (c) when the entity providing the mortgage financing was or is created by local, state or Federal legislation, and certifies to SONYMA that the project meets the program criteria applicable to such entity or (d) when the property will provide a retail or community service facility that would not otherwise be provided. The Mortgage Loans insured by SONYMA (the "SONYMA Mortgage Loans") are insured under the SONYMA Act.

The SONYMA Act authorizes SONYMA to create a mortgage insurance fund (the "Mortgage Insurance Fund"). The Mortgage Insurance Fund is used as a revolving fund for carrying out the provisions of the SONYMA Act with respect to mortgages insured thereunder. The Bonds are not secured by monies held in the Mortgage Insurance Fund and SONYMA is not liable on the Bonds. The SONYMA Act provides that all monies held in the Mortgage Insurance Fund, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act. Only monies in the Mortgage Insurance Fund will be available to SONYMA for payment of SONYMA's liabilities under the SONYMA mortgage insurance policies for the applicable Developments (the "SONYMA Insurance").

The SONYMA Act establishes within the Mortgage Insurance Fund a special account (the "Special Account"), a single family pool insurance account with respect to pool insurance related to one to four dwelling units (the "Single Family Pool Insurance Account") and a project pool insurance account with respect to all other pool-insured properties (the "Project Pool Insurance Account"). The SONYMA Mortgage Loans are insured by SONYMA under the Special Account. The SONYMA Act provides that assets of the Special Account, the Single Family Pool Insurance Account and the Project Pool Insurance Account shall be kept separate and shall not be commingled with each other or with any other accounts which may be established from time to time, except as authorized by the SONYMA Act. The claims-paying ability of the Special Account and the Single Family Pool Insurance Account of the Mortgage Insurance Fund are rated "Aa1" and "Aaa," respectively, by Moody's Investors Service. The claims-paying ability of the Special Account and the Single Family Pool Insurance Account of the Mortgage Insurance Fund are rated "A+" and "AA," respectively, by Fitch Investors Service. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The payment of principal of and interest on the Bonds is not secured by or payable from monies held in the Special Account. The SONYMA Act provides that all monies held in the Special Account, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act.

The Mortgage Insurance Fund is funded primarily by a surtax on the State mortgage recording tax. Section 253(1-a) of the State Tax Law (the "State Tax Law") imposes a surtax (the "Tax") on recording mortgages of real property situated within the State. Excluded from the Tax are, among others, recordings of mortgages executed by voluntary nonprofit hospital corporations, mortgages executed by or granted to

the Dormitory Authority of the State of New York and mortgages, wherein the mortgagee is a natural person, on mortgaged premises consisting of real property improved by a structure containing six or fewer residential dwelling units, each with separate cooking facilities. The Tax is equal to \$0.25 for each \$100 (and each remaining major fraction thereof) of principal debt which is secured by the mortgage. Section 261 of the State Tax Law requires the respective recording officers of each county of the State, on or before the tenth day of each month, after deducting certain administrative expenses incident to the maintenance of their respective recording offices, to pay SONYMA for deposit to the credit of the Mortgage Insurance Fund the portion of the Tax collected by such counties during the preceding month, except that: (i) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the counties comprising the Metropolitan Commuter Transportation District on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the Metropolitan Transportation Authority; (ii) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the County of Erie on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the State Comptroller for deposit into the Niagara Frontier Transportation Authority light rail rapid transit special assistance fund; and (iii) Taxes paid upon mortgages covering real property situated in two or more counties shall be apportioned by the State Tax Commission among SONYMA, the Metropolitan Transportation Authority and the Niagara Frontier Transportation Authority, as appropriate.

Mortgage recording taxes have been collected in the State for more than 75 years. SONYMA has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State Legislature is necessary for the Mortgage Insurance Fund to continue to receive such monies. However, the State is not bound or obligated to impose, or to impose at current levels, the mortgage recording taxes described above or to direct the proceeds to SONYMA as currently provided. The Mortgage Insurance Fund's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission is given general supervisory power over such officers. Tax receipts paid to the Mortgage Insurance Fund in calendar years 1993, 1994, 1995, 1996 and 1997 were approximately \$44 million, \$43 million, \$34 million, \$37 million and \$41 million, respectively.

The SONYMA Act provides that SONYMA must credit the amount of money received from the recording officer of each county to the Special Account. Except for the transfers described below, amounts so credited to the Special Account may be used solely to pay SONYMA's liabilities under outstanding mortgage insurance policies. The SONYMA Act permits SONYMA to transfer amounts in excess of the Mortgage Insurance Fund Requirement (as such term is defined in the SONYMA Act) for the Special Account from that account to the Single Family Pool Insurance Account or the Project Pool Insurance Account, to the extent necessary to satisfy the mortgage insurance reserve requirement of the Single Family Pool Insurance Account or the Project Pool Insurance Account, respectively. The SONYMA Act also provides that if at any time the monies, investments and cash equivalents (valued as determined by SONYMA) of the Single Family Pool Insurance Account or the Project Pool Insurance Account exceed the amount necessary to attain and maintain the credit rating required to accomplish the purposes of either of such accounts, SONYMA shall transfer such excess to the Special Account. Any excess in the Special Account is required to be remitted to the State annually. The SONYMA Act provides that no monies shall be withdrawn from the Mortgage Insurance Fund at any time in such amount as would reduce the amount in such fund to less than the Mortgage Insurance Fund Requirement, except for the purpose of paying liabilities as they become due and for the payment of which other monies are not available. There can be no assurance that the amounts on deposit in the Special Account will not be

depleted through payment of liabilities arising with respect to insured mortgage loans other than the SONYMA Mortgage Loans.

The Mortgage Insurance Fund Requirement as of any particular date of computation is equal to an amount of money or cash equivalents equal to the aggregate of (a) the insured amounts of loans that SONYMA has determined to be due and payable as of such date pursuant to its contracts to insure mortgages plus (b) an amount equal to twenty per centum of the amounts of loans insured under SONYMA's insurance contracts plus twenty per centum of the amounts to be insured under SONYMA's commitments to insure less the amounts payable pursuant to clause (a) above; provided, however, that if the board of directors of SONYMA shall have established a different per centum for a category of loans pursuant to the SONYMA Act, such per centum shall be substituted for twenty per centum in clause (b) above. Pursuant to the SONYMA Act, the board of directors of SONYMA may, from time to time, establish a Mortgage Insurance Fund Requirement in an amount other than the twenty per centum set forth above. To date the board of directors of SONYMA has not authorized any such substitution; however, there can be no assurance that in the future such Mortgage Insurance Fund Requirement will not be changed or reduced.

The Mortgage Insurance Fund provides primary mortgage insurance for various types of properties, including single and multi-family residences, special needs facilities, and retail and community service facilities. Since 1989, the Mortgage Insurance Fund has been providing pool insurance (the "Single Family Pool Insurance") for mortgages that SONYMA financed pursuant to its single family forward commitment programs. The Mortgage Insurance Fund currently provides pool insurance coverage on certain mortgage loans purchased with proceeds of certain of SONYMA's bonds.

As of March 31, 1998, the Mortgage Insurance Fund's total liability against commitments and against policies in force was \$2,059,682,787 of which \$1,800,161,182 was against primary mortgage insurance commitments and policies in force, the balance of \$259,521,605 being against Single Family Pool Insurance commitments and policies in force. As of March 31, 1998, the Mortgage Insurance Fund had a total loan amount on outstanding commitments and policies in force of \$6,973,600,786 of which \$2,772,836,324 represented the total loan amount on outstanding primary mortgage insurance commitments and policies in force, the balance of \$4,200,764,462 being the total loan amount on outstanding Single Family Pool Insurance commitments and policies in force.

As of March 31, 1998, the Special Account had paid fifteen claims for loss on insurance policies under its primary mortgage insurance coverage in the aggregate amount of \$25,314,524. As of March 31, 1998, the Mortgage Insurance Fund had 43 primary mortgage insurance policies in force on which claims for loss had been submitted; SONYMA estimates that its total liability thereon is \$60,679,088. As of March 31, 1998, 150 claims for loss had been paid by SONYMA for \$4,725,629 under its Single Family Pool Insurance policies.

In addition to the mortgage insurance program, the SONYMA Act authorizes SONYMA to purchase and make commitments to purchase mortgage loans on single-family (one- to four-unit) housing and home improvement loans from certain lenders in the State. The SONYMA Act also empowers SONYMA to make and purchase certain student loans. SONYMA may issue its bonds to finance said purposes.

Copies of SONYMA's Annual Report for the year ended October 31, 1997 and audited financial statements for the year ended October 31, 1997 are available from the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022, telephone: (212) 688-4000.

SONYMA makes no representation as to the contents of this Private Placement Memorandum (other than this section), the suitability of the 1998 Series B Bonds for any investor, the feasibility of the Developments or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the 1998 Series B Bonds.

SONYMA's role is limited to providing the coverage set forth in the SONYMA Insurance.

Collection of SONYMA Mortgage Insurance Benefits.

A. For SONYMA Mortgage Loans other than the 1998 Series B Mortgage Loan. The Corporation has covenanted not to take any action that would conflict with the requirements or procedures of SONYMA so as to jeopardize the SONYMA Insurance on the SONYMA Mortgage Loans. In the event of a default under a SONYMA Mortgage Loan, the Corporation has covenanted to undertake to assign such SONYMA Mortgage Loan to SONYMA in a timely fashion so as to avoid any loss or diminution of benefits receivable as SONYMA Insurance and to make claims for SONYMA Insurance benefits in cash.

In the event a payment due with respect to a SONYMA Mortgage Loan is in default for 60 days, the Corporation is required to notify SONYMA of the default and thereby trigger the Corporation's right to assign said Mortgage to SONYMA if the default is not cured within the following 60 days. If the default is not fully cured within 120 days, the Corporation is required to exercise its right to assign said Mortgage to SONYMA. Subject to the terms and conditions of the SONYMA commitment to insure each SONYMA Mortgage Loan and the policy issued in connection therewith, SONYMA has agreed that, within ten (10) days after assignment of a Mortgage by the Corporation to SONYMA, it shall pay the Corporation an amount at least equal to the full unpaid principal balance of the SONYMA Mortgage Loan and all accrued interest on such Mortgage Loan.

The SONYMA Insurance with respect to a SONYMA Mortgage Loan may terminate pursuant to its terms upon the occurrence of certain events including the nonpayment of renewal premium, the modification of a SONYMA Mortgage without the prior written approval of SONYMA, and the disposal of property or collateral securing a SONYMA Mortgage Loan prior to the final settlement of a claim for loss.

B. For the 1998 Series B Mortgage Loan. It is anticipated that the 1998 Series B Mortgage Loan will be insured by SONYMA Insurance upon compliance with certain conditions contained in SONYMA insurance commitment.

Pursuant to the SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, following certain defaults under the Mortgage securing the 1998 Series B Mortgage Loan, the Corporation shall file a claim for loss with SONYMA. Thereupon, SONYMA has the option to either (i) make periodic payments of its obligation under the SONYMA Insurance in amounts equal to the scheduled principal and interest payments due with respect to the 1998 Series B Mortgage Loan plus certain other amounts expended by the Corporation (for which the Corporation has not been reimbursed) or (ii) make a lump sum payment under the SONYMA Insurance in an amount equal to the sum of the principal outstanding and interest accrued on the 1998 Series B Mortgage Loan from the date of such claim for loss to the date of

payment in respect of such claim for loss and certain other amounts expended by the Corporation (for which the Corporation has not been reimbursed). Periodic payments are to be made monthly. In addition, if SONYMA has chosen initially to make periodic payments it may nevertheless exercise its option to make a lump sum payment in the full amount of its then outstanding obligation under the SONYMA Insurance at any time while SONYMA is making periodic payments. Upon a lump sum payment by SONYMA, the Corporation shall assign the 1998 Series B Mortgage to SONYMA. The SONYMA Insurance with respect to the 1998 Series B Mortgage Loan may terminate pursuant to its terms upon the occurrence of certain events including the nonpayment of renewal premium. For specific information on the coverage provided by the SONYMA Insurance with respect to the 1998 Series B Mortgage Loan, reference should be made to the policy related to such SONYMA Insurance which is available for inspection at the office of the Corporation.

The Corporation has covenanted not to take any action to conflict with SONYMA regulations so as to jeopardize the SONYMA Insurance. In addition, in the event of a default under the 1998 Series B Mortgage Loan, the Corporation has covenanted to undertake to assign the 1998 Series B Mortgage Loan to SONYMA or take such other actions in timely fashion so as to avoid any loss or diminution of benefits receivable as SONYMA Insurance.

The Section 8 Program

General. The following is a brief description of the housing assistance payments program authorized by Section 8 of the United States Housing Act of 1937, as amended (the "1937 Housing Act"), which is qualified in its entirety by references to the applicable provisions of said Act and the regulations thereunder (the "Regulations").

The Section 8 program is administered by HUD and authorizes subsidy payments to the owners of qualified housing for the benefit of lower income families (defined generally as families whose income does not exceed 80% of the median income for the area as determined by HUD) and very-low income families (defined generally as families whose income does not exceed 50% of the median income for the area as defined by HUD). Provision is made under the 1937 Housing Act and HUD regulations thereunder for administration of the Section 8 program through state or local housing finance agencies, as contract administrator (the "Contract Administrator"). Under this arrangement, the Contract Administrator agrees to pay the subsidy to or for the account of the mortgagor and concurrently contracts with HUD for payments of the subsidy by HUD to it. Pursuant to amendments to the 1937 Housing Act effected by the Housing and Community Development Amendments of 1981 (the "1981 Amendments"), not more than 25% of the dwelling units which were available for occupancy under HAP Contracts before the October 1, 1981 effective date of the 1981 Amendments and which are leased thereafter shall be available for leasing by lower income families other than very-low income families; and not more than 15% of the dwelling units which become available for occupancy under HAP Contracts after the effective date of the 1981 Amendments shall be available for leasing by lower income families other than very-low income families. The housing assistance payments generally represent the difference between the "contract rents" (plus estimated utility allowances, where utility costs are paid directly by tenants, and an administrative fee, hereinafter described, where applicable) for all eligible units in a development, as approved by HUD from time to time, and the eligible tenant's contributions, which is generally 30% of such tenant's income, as adjusted for family size, income and expenses, with certain adjustments. Beginning in fiscal year 1996, and currently extending through fiscal year 1998, each assisted family is required to pay a minimum rent of between \$25 and \$50 per month. HUD has implemented a \$25 minimum for most families. (Notices

H 96-89, H 97-66). The contract rents for a development are generally limited to the "fair market rents" established by HUD as reasonable in relation to rents for comparable units in the area.

Subsidy Contracts. The payment of subsidies under the Section 8 program is made pursuant to two contracts entered into with respect to each development assisted under such program: an annual contributions contract (the "ACC") between HUD and the Contract Administrator, and the HAP Contract between the Contract Administrator and the owner. The ACC obligates the United States to provide funds to the Contract Administrator with which to make monthly housing assistance payments to the owner pursuant to a HAP Contract. The Corporation is the Contract Administrator for all but three of the Section 8 Developments; with respect to which three Developments, HPD is the Contract Administrator.

The ACC establishes the maximum annual amount of the housing assistance payments to be made by HUD for the account of the mortgagor of a development. This amount may not exceed the total of the initial contract rents and utility allowances for the eligible units in a development and any administrative fee. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, some or all of the excess (including an amount equal to the portion of the contract rents payable by the tenants) is required to be set aside by HUD in a "project account" for the particular development and will be available in future years to fund increases in contract rents for the development, decreases in family incomes or other costs authorized or approved by HUD. In the event that previously appropriated amounts are not sufficient to meet HUD's contractual obligations to the Section 8 Developments, HUD is required by applicable Section 8 provisions to take such additional steps authorized by subsection (c)(6) of Section 8 of the 1937 Housing Act as may be necessary to obtain funds to assure that payment will be adequate to cover increases in contract rents and decreases in tenant payments. Under subsection (c)(6) of Section 8: "[t]he Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes." In practice, HUD has sought and received amendment authority from Congress sufficient to enable it to discharge its obligations under the HAP Contracts and the ACCs. The Corporation currently is experiencing a decline in the amount of funds available to certain of the Section 8 Developments owing to automatic increases in rental subsidies under the terms of the HAP Contracts associated with such Developments. Consistent with applicable law and regulations, the Corporation expects that HUD will amend the contracts for such Developments to provide additional funds as needed.

The HAP Contract provides for housing assistance payments with respect to a dwelling unit covered by the HAP Contract on the condition that such unit is maintained according to the requirements of the HAP Contract and is occupied by an eligible tenant. An ACC remains in effect for as long as a HAP Contract is in effect.

Amount and Payment of Subsidy. Section 8 subsidies available for debt service on the Bonds are based upon the contract rent applicable to specified dwelling units. The contract rent is initially based on the fair market rent for the dwelling unit, which is determined by HUD periodically with respect to each locality and published in the Federal Register. The proportion of the contract rent paid by HUD and that paid by tenants will vary generally depending upon tenant income.

Adjustment of Subsidy Amounts. Each HAP Contract provides for certain adjustments in contract rents. At least annually, HUD publishes an Annual Adjustment Factor ("AAF"), which is intended to reflect changes in the fair market rent established in the housing area for similar types and sizes of dwelling units; interim revisions may be made where market conditions warrant. Upon request from the owner to the Corporation, the AAF is applied on the anniversary date of each HAP Contract to contract rents, *provided* that no adjustment shall result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units except to the extent that the differences existed with respect to the contract rents set at HAP Contract execution or cost certification where applicable. (The difference that existed between the contract rent for a unit at HAP Contract execution and the rent on comparable unassisted units is generally referred to by HUD as the "initial difference" in contract rents.) In addition, provision is made in the regulations for special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, assessments, utility rates and utilities not covered by regulated rates, if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Under current law (Section 8(c)(2)(C) of the 1937 Housing Act), "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under the section...unless the project has been refinanced in a manner that reduces the periodic payments of the owner."

Notwithstanding the foregoing, if the contract rents for a development exceed the applicable HUD fair market rents (plus any initial difference), then contract rents cannot be increased beyond comparable market rents (plus the initial difference) as determined by independent appraisals of at least three comparable local developments submitted by the owner. In addition, the AAFs for Section 8 units which experienced no turnover in tenants since their preceding HAP Contract anniversary date shall be one percentage point less than the AAFs that would otherwise apply. After several interim periods, these limitations were made permanent by the Balanced Budget Act of 1997, Pub. L. 105-33. Furthermore, HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, specifies that, during fiscal year 1998, HUD is to take account of the fact that debt service is a fixed expense in calculating AAFs for new construction and substantial rehabilitation projects. The Corporation cannot predict at this time what effect this provision, if implemented, may have upon AAFs for the Section 8 Developments.

In 1995, HUD proposed to Congress that it repeal the provision of Section 8(c)(2)(C) of the 1937 Housing Act, cited above, prohibiting the Secretary of HUD from reducing Section 8 contract rents in effect on or after April 15, 1987. Congress did not act upon this proposal, and HUD has not renewed its efforts to secure a repeal. It is impossible to predict whether efforts to repeal the cited provision of Section 8(c)(2)(C) will revive, whether they would succeed or what effect they would have on the Section 8 Developments or the likelihood of a claim for FHA Insurance or SONYMA Insurance benefits; however, the Corporation believes that market rents for the units in many of the Section 8 Developments would most likely be significantly lower than the current contract rents.

Vacancies and Debt Service. Generally, the Section 8 subsidy is payable with respect to the dwelling unit only when it is occupied by a qualified person or family. However, applicable law and regulations provide for payment of the subsidy under certain circumstances and, for a limited period of time, when the dwelling unit is not occupied. Upon the occurrence of a vacancy in a dwelling unit, a subsidy amounting to 80% of the contract rent is payable for a vacancy period of 60 days subject to compliance by the mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. The payment of a subsidy with respect to a dwelling unit vacant after initial rent-up may continue for an additional 12 months from the expiration of the 60-day period in an amount equal to the

principal and interest payments required to amortize the debt service attributable to the vacant unit, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. Such continued payments also require the mortgagor to show that project costs exceed revenues, a good faith effort is being made to fill the unit and the additional subsidy payments do not exceed the deficiency attributable to the vacant units. With respect to the three Section 8 Developments receiving subsidies pursuant to the Section 8 Moderate Rehabilitation Program, vacancy payments are only available for a maximum period of 60 consecutive days.

Compliance With Subsidy Contracts. The ACC and the HAP Contract each contain numerous agreements on the part of the Contract Administrator and the owner concerning, among other things, maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which non-compliance by the owner may result in abatement by HUD or the Contract Administrator, as the case may be, of the payment of the federal subsidy, in whole or in part.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to an eligible tenant or satisfies the criteria for receiving assistance for vacant units. The Contract Administrator, which has primary responsibility for administering each HAP Contract subject to review and audit by HUD, subject to an opportunity by the mortgagor to cure any default under the HAP Contract, may abate housing assistance payments and recover overpayments pending remedy of the default. If the default is not cured, the Contract Administrator may terminate the HAP Contract or take other corrective action, in its discretion or as directed by HUD. HUD has an independent right to determine whether the owner is in default and to take corrective action and apply appropriate remedies.

If HUD determines that the Contract Administrator has failed to fulfill its obligations, HUD may, after notice to the Contract Administrator giving it a reasonable opportunity to take corrective action, require that the Contract Administrator assign to it all rights under the HAP Contract.

The Section 236 Program

General. Pursuant to Section 236(b) of the National Housing Act, as amended ("Section 236"), the Secretary of HUD (the "Secretary") entered into certain contracts (each a "Section 236 Contract") to make periodic interest reduction payments to mortgagees on behalf of the mortgagors of housing projects designed for occupancy by persons and families of low income. HUD's interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal and interest which a mortgagor is obligated to pay under its mortgage loan and the monthly payment for principal and interest a mortgagor would be obligated to pay if its mortgage loan were to bear interest at the rate of one per centum (1%) per annum. Under Section 236, interest reduction payments with respect to a project (the "HUD Payments") shall be made only during the period that such project is operated as a rental or cooperative housing project.

Termination of HUD Payments. HUD is obligated to make HUD Payments under a Section 236 Contract and may not terminate HUD Payments under a Section 236 Contract, except under the circumstances described below. If HUD Payments are terminated, the Secretary may reinstate them at his discretion pursuant to such additional requirements as the Secretary may prescribe. A Section 236 Contract terminates upon payment in full of the mortgage loan and may be terminated at the option of, and

upon written notice from, the Secretary after the expiration of one year from the date of the termination of HUD Payments, unless such payments have been reinstated. **In the event HUD were to terminate HUD Payments in respect of a Section 236 Mortgage Loan, such terminated HUD Payments would not be available to pay debt service on such Section 236 Mortgage Loan, which could result in a default on such Mortgage Loan. The Section 236 Mortgage Loans do not benefit from FHA Insurance.**

Acquisition by Ineligible Owner. HUD may terminate HUD Payments with respect to a Project if the Project is acquired by any owner who is not an eligible mortgagor under Section 236. Each Mortgagor has covenanted in the Section 236 Contract only to transfer such Project to an eligible Mortgagor approved by the Secretary and each Mortgagor has covenanted in the Mortgage not to transfer such Project without the consent of the Corporation. The Department of Housing and Urban Development Reform Act of 1989 (the "HUD Reform Act") made public entities eligible to be owners of projects receiving assistance under Section 236. Pursuant to the HUD Reform Act, the Corporation is an eligible Section 236 owner. Transfer of a Project is also subject to the prior approval of HPD.

Excess Income. Pursuant to each Section 236 Contract the Mortgagor is permitted to charge (i) a basic or subsidized rental charge for each subsidized dwelling unit in the Project (the "basic rent"), determined on the basis of the anticipated operating costs of the Project assuming the payment of principal and interest on a mortgage note bearing interest at the rate of 1% per annum and an amortization period of fifty (50) years, and (ii) a fair market rental charge for each such unit, determined on the basis of the anticipated operating costs of the Project assuming payment of principal and interest at the unsubsidized mortgage rate (the "market rent"). The rent charged for each subsidized unit (the "tenant rent") is the greater of the basic rent or thirty per centum (30%) of the tenant's adjusted monthly income, but in no event may the Mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Under each Section 236 Contract, the Corporation and HUD must approve all rent increases.

Each Section 236 Contract provides that the Mortgagor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units ("Excess Income Payments"). In a notice issued by HUD on January 4, 1991 with respect to all mortgagors subject to Section 236 Contracts, HUD stated that it would implement strict enforcement actions against an owner of a project who does not remit excess rental amounts. This notice states that HUD should attempt to recover Excess Income Payments if the affected mortgagor does not make a lump sum payment or enter into a repayment schedule with HUD through the following actions listed in order of priority: use of the project's residual receipts, repayment of distributions, surplus cash and finally, project income. Among HUD's numerous potential remedies against the affected mortgagors are suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will utilize against affected mortgagors in the event HUD seeks to affirmatively enforce the collection of Excess Income Payments.

Prior to the enactment of the Fiscal Year 1996 Appropriations Act, mortgagors were permitted to calculate the amount of Excess Income Payments payable to HUD on a project-wide basis, which enabled mortgagors to use Excess Income Payments to offset collection losses from nonpaying tenants. Beginning in fiscal year 1996, Excess Income Payments must be remitted to HUD on a unit-by-unit basis, thus precluding the ability of mortgagors to use such Excess Income Payments to offset collection losses and potentially reducing the income available to the projects. HUD's Fiscal Year 1997 Appropriations Act, Pub. L. 104-204, continued this "unit-by-unit" standard, but allowed for projects that were also insured by the federal government pursuant to Section 236 to retain some or all of such excess income for project use if authorized by HUD. The Mortgage Loans assisted under Section 236 are not insured, and therefore

the Section 236 Developments are not eligible to retain excess income. HUD Notice H 98-10, issued February 26, 1998, is the first explicit administrative guidance on the "unit-by-unit" excess rent standards. This notice requires that all Excess Income Payments be remitted to HUD on a monthly basis under these standards beginning with rents collected for the month of March 1998.

Certain Mortgagor Covenants. Each Mortgagor has covenanted in the Section 236 Contract to limit admission to the subsidized dwelling units in the Project to those families whose incomes do not exceed the applicable limits approved by the Corporation or the Secretary, with the exception of those tenants who agree to pay fair market rent. The Section 236 Contracts contain other covenants relating to the preference for occupancy for certain displaced or low income families, the compliance with applicable civil rights laws prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and the number of subsidized units which may be rented to any one tenant at any one time. The Secretary has the authority to terminate HUD Payments at any time upon default by a Mortgagor under any of such covenants as well or upon any other default by a Mortgagor or the Corporation under the terms and conditions of the Section 236 Contract.

Set-Off Rights of the United States. Payments under a Section 236 Contract duly and properly paid and actually received by or on behalf of the Corporation with respect to a Project have been pledged to the Trustee as part of the security for the Bonds, and the Corporation is obligated to deliver to the Trustee all such payments upon receipt. Under Federal law, the United States Government has the right to set-off liabilities of the Corporation to the United States against the amounts payable to the Corporation under a Section 236 Contract. The Corporation does not believe it has any liabilities to the United States which would result in any set-off against such payments. The set-off right of the United States described above applies only to payments under a Section 236 Contract which have not actually been paid by HUD. Once payments under a Section 236 Contract are received by the Corporation and delivered to a trustee, they cannot be subjected to repayment to the United States by such trustee. However, in the case of excessive payments under a Section 236 Contract, the Corporation would remain obligated to refund to the Secretary the amount which was overpaid, and such liabilities could be offset against future payments under the Section 236 Contract.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contracts, do not contain any express requirement that any savings which result from a reduction in the Corporation's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce HUD Payments. Consequently, the Corporation did not reduce the interest rate on a Section 236 Mortgage Loan as a result of the issuance of the 1996 Series A Bonds. Based on the foregoing, the Corporation does not believe that HUD or any other party is entitled to all or a portion of the Corporation's debt service savings that result from the issuance of the 1996 Series A Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the Section 236 Contracts based upon the issuance of the 1996 Series A Bonds. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the Section 236 Contract.

Prepayment of Mortgage Loan. Each Mortgagor covenanted in the applicable Section 236 Mortgage Loan documents not to prepay such Mortgage Loan prior to 20 years from the date the Project was occupied. Each such Mortgage Loan permits the Mortgagor to prepay such Mortgage Loan at any time after such date. Based on the Projects' certificates of occupancy, the period during which prepayment

is prohibited under the Section 236 Mortgage Loans has ended and the Section 236 Mortgage Loans may be prepaid. Following such prepayment the Mortgagor is subject to certain restrictions on the Mortgagor's ability to evict, or raise the rents on units leased to, certain low income, elderly or handicapped tenants. In addition, projects regulated pursuant to the Mitchell-Lama Law are subject to additional prepayment provisions. See "The Mitchell-Lama Program—Prepayment of Mortgage" below. Any such prepayment could result in the special redemption from Recoveries of Principal of Bonds (other than the 1998 Series B Bonds) at any time.

Transfer of Mortgage Loan. Each Section 236 Contract provides that the corresponding Section 236 Mortgage Loan may only be assigned, including any assignment or reassignment between the Corporation and the Trustee, with HUD's prior written approval. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Covenants with Respect to Mortgage Loans."

HPD Supervision. Each Project was constructed and is operated as a limited-profit housing project in accordance with Article 2 of the New York State Private Housing Finance Law also known as the "Mitchell-Lama Law." For more information on the Mitchell-Lama Law, see "The Mitchell-Lama Program" below.

The Participation Loan Program

The Participation Loan Program ("PLP") was established in 1977 pursuant to Article XV of the Private Housing Finance Law of the State of New York. PLP is designed to increase accessibility to mortgage capital for the rehabilitation of privately owned multi-family housing in the City. The Department of Housing Preservation and Development ("HPD") administers PLP which provides mortgage financing for the rehabilitation of such housing at nominal interest rates. Since its inception, PLP has allowed HPD to provide partial financing for the rehabilitation of over 42,000 apartments.

HPD may only make a loan pursuant to PLP if another bona fide lender, such as the Corporation, also lends a portion of the funds necessary to complete the rehabilitation of the project. In total, as of May 31, 1998, the Corporation has provided over \$73,000,000 of financing for the rehabilitation of 4,872 units financed through PLP, of which 270 units were financed with a portion of the proceeds of the 1993 Series B Bonds, 730 units were financed with a portion of the proceeds of the 1994 Series A Bonds, 2,640 units were financed with the proceeds of the 1995 Series B Bonds, 410 units were financed with a portion of the proceeds of the 1997 Series A Bonds, 31 units were financed with a portion of the proceeds of the 1997 Series B Bonds and 341 units were financed with a portion of the proceeds of the 1997 Series C Bonds. For each Mortgage Loan financed by the Corporation under PLP and insured by either FHA or SONYMA, the initial feasibility of the Development was determined by the Corporation, HPD and either FHA or SONYMA. In those instances where the Corporation only provided permanent financing, the initial feasibility of the Project was also determined by a conventional construction lender.

With regard to FHA Mortgage Loans financed by the Corporation under PLP, HPD and the Corporation entered into a Participation Agreement pursuant to which HPD has a participation interest in such FHA Mortgage Loans equal to the amount of PLP funds, other than Willoughby/Wyckoff Apartments where HPD has a second mortgage loan on said project. The portion of each such FHA Mortgage Loan allocable to HPD's participation interest is not pledged under the General Resolution except that, pursuant to the Participation Agreement, in the event of a default on any of these loans, the Corporation may first utilize the FHA insurance benefits to satisfy certain of its obligations to Bond owners. Any such remaining FHA insurance benefits would then be disbursed to HPD.

For those permanent Mortgage Loans financed by the Corporation under PLP which are insured by SONYMA, HPD's PLP funds are secured by a subordinate uninsured permanent mortgage loan. In the event of a default on any of these Mortgage Loans which would cause the Corporation to seek payment from SONYMA, all such SONYMA insurance benefits would be available to the Corporation.

For those permanent Mortgage Loans financed by the Corporation under PLP where no supplemental security was or will be provided, such Mortgage Loans are or will be secured by a first mortgage lien. HPD's PLP permanent mortgage is subordinate to the Corporation's Mortgage Loan and is also uninsured. In the event of a default on the Corporation's loan, any proceeds resulting from a foreclosure which might result from such default would be applied to satisfy the Corporation's Mortgage Loan prior to HPD's PLP mortgage.

The Housing Development Grant Program

Pursuant to the Housing Development Grant ("HoDAG") Program, which was authorized by Section 17 of the 1937 Housing Act, HUD made grants to localities for rental housing projects within such localities' respective jurisdictions. HPD received such a grant for certain of the Developments and utilized the funds provided by HUD to make a second unsecured mortgage loan. During the term of the HoDAG second uninsured mortgage loan made to the Mortgagor by HPD, the Mortgagor is required to comply with certain HoDAG Program requirements, including restrictions relative to the occupancy of certain units by low income tenants. If HoDAG Program requirements are not adhered to by the Mortgagor of the Development which received the HoDAG funds, the Mortgagor is required to repay HPD the amount of HoDAG grant funds, subject to certain adjustments. HUD may require the City to refund the grant monies. While no payments are due on this second position permanent loan during the term of the applicable Mortgage Loan, upon a violation of the HoDAG Program requirements by the Mortgagor, the City may then proceed to enforce its right to collect such grant monies from the Mortgagor.

The Housing Assistance Corporation

The Housing Assistance Corporation ("HAC") is a public benefit corporation of the State established pursuant to Section 654-b of the Act as a subsidiary of the Corporation. HAC is to continue in existence until terminated by law; provided, however, that no such termination shall take effect as long as its obligations remain outstanding. The payments and funds of HAC are not considered to be assets of the Corporation and are not pledged under the Resolutions.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development (and may enter into agreements for such purposes with mortgagors of rental developments) or assist the Corporation in financing such developments.

HAC has entered into a Tenant Assistance Contract ("TAC") with the Mortgagors of four (4) Developments to provide monthly rental assistance payments. To be eligible for the TAC payments the Mortgagor must ensure that (i) 20% of the Development's rental units are available for households whose annual income at initial occupancy does not exceed 80% of New York City median income ("Median Income") as adjusted for family size ("Low Income Families"), and (ii) 80% of the rental units are

available for households whose annual income at initial occupancy does not exceed 180% of Median Income.

In the event a Mortgagor is in default under a TAC, HAC may take legal action against such Mortgagor or suspend payments for any unit not in compliance with the terms of the TAC. In the event that at least 10% of the units are not leased to Low Income Families, HAC may terminate the TAC. See "Appendix E-1—Developments and Mortgage Loans Outstanding Under the Program" for the date of expiration of the TACs.

The Mitchell-Lama Program

General. The Mitchell-Lama program was created to facilitate the construction and continued operation of affordable moderate and middle income rental and cooperative housing in the State of New York. The Developments which are regulated under the Mitchell-Lama program are all non-refinanced rental housing projects located in the City of New York and therefore, this summary of the Mitchell-Lama program is limited to non-refinanced rental projects. Each rental project in the Mitchell-Lama program was constructed and is operated as a limited-profit housing project in accordance with Article 2 of the New York State Private Housing Finance Law and the rules and regulations promulgated thereunder (the "Mitchell-Lama Law").

HPD Supervision. HPD has supervisory authority over those projects in the Mitchell-Lama program which received financing from the City or the Corporation. HPD carries out all its supervisory functions with limited resources, which may affect the priority or completion time frames for its various supervisory activities.

HPD regulates the project's rental procedures and tenant income limits. HPD oversees the renting of vacant units including the establishment of waiting lists and the advertising process relating thereto. HPD approves the admission of new tenants as well as the transfer of existing tenants to other units in a project. HPD also verifies initial and annual tenant income certifications submitted by tenants to ensure that the tenant income requirements of the Mitchell-Lama program are maintained. Tenants with incomes in excess of the certain income requirements are required to pay rent surcharges to the project owners.

HPD conducts a periodic physical inspection of the common areas of the projects in the Mitchell-Lama program in order to assess property maintenance levels. HPD has power to audit the books of a project owner and conducts a periodic site administrative review to review service contracts, insurance coverage and the project's record keeping systems. HPD also reviews all commercial leases, contracts in excess of \$5,000 or \$10,000 depending on project size, monthly project operations reports, the use of blocked reserve accounts and the annual profit retained by the project owner.

HPD approves all rent increase applications after holding a public hearing and reviewing a financial analysis prepared by HPD and project owners, provided, however, such rental increases in projects benefiting from the Section 236 program are also subject to the approval of HUD. HPD has the right to remove any or all of the existing directors of an ownership entity and to appoint individuals that HPD deems advisable in the event of a violation of a provision of the owner's certificate of incorporation, any applicable law, the loan or mortgage contract or HPD's rules and regulations.

Corporation Rent Increase Authority. The Act empowers the Corporation and the Resolutions require the Corporation (whenever it shall find that the maximum rentals, which are charged tenants of the

dwellings in any Project in the Mitchell-Lama program, in whole or in part, shall not be sufficient together with all other income of the Mortgagor to meet within reasonable limits all necessary payments to be made by the Mortgagor of all expenses, including fixed charges, sinking funds, reserves and dividends) to request the Mortgagor to make application to vary such rentals so as to secure sufficient income, and upon the Mortgagor's failure to do so within thirty (30) days after the receipt of written request from the Corporation, to request HPD to take action upon HPD's own motion so to vary such rental rate, and upon failure of HPD either upon application by the Mortgagor or upon its own motion so to vary such rental rate within sixty (60) days after receipt of written request from the Corporation to do so, to vary such rental rate by action of the Corporation. Any such rental increases in Developments benefitting from the Section 236 program shall also be subject to the approval of HUD. The Corporation has only taken such actions relating to rental increases with respect to one (1) Development which was done in 1978.

Tax Exemption. The Mitchell-Lama Law provides that with the consent of the local legislative body, the real property, both land and improvements, of a project shall be exempt from local and municipal taxes, other than assessments for local improvements, to the extent of all or part of the value of the property included in such project which represents an increase over the assessed valuation of such real property at the time of its acquisition for the project by the company, provided however, that the real property in a project acquired for purposes of rehabilitation shall be exempt to the extent of all or part of the value of the property included in such rehabilitation and provided further that the minimum tax to be paid shall not be less than ten per centum (10%) of the annual shelter rent of such project. This tax exemption continues so long as the mortgage loan made to the owner remains outstanding. In the case of any Project in the Mitchell-Lama program which is the subject of a ground lease, such tax exemption is reflected in the underlying lease payments. Pursuant to the Act, the property of the Corporation is exempt from state and local taxes. In the event the Corporation shall become the owner of a Development, it would be exempt from the payment of real estate taxes.

General Municipal Law Article 16

Article 16 of the General Municipal Law, Section 690 et. seq. authorizes certain municipalities in the State, including the City, to make grants or loans (i) to the owner of any property that is part of an urban development action area project (as defined in such law) for the purpose of rehabilitation of an existing private or multiple dwelling, (ii) for the purpose of providing site improvements, or (iii) for the purpose of providing for other costs of construction for the development of private and multiple dwelling housing accommodations. Any loan made in accordance with this section shall be secured by a note and mortgage. In the case of a loan for the purpose of providing rental housing for persons of low income, the rental development must be subject to a regulatory agreement limiting profits and rentals charged.

With regard to the one Mortgage Loan financed by the Corporation under General Municipal Law, Article 16, the initial feasibility of the Development was determined by the Corporation, HPD and a conventional construction lender. HPD's General Municipal Law, Article 16 permanent loan is subordinate to the Corporation's Mortgage Loan and both loans are uninsured and not subject to supplemental security. In the event of a default on the Corporation's Mortgage Loan, any proceeds resulting from a foreclosure which might result from such default would be applied to satisfy the Corporation's Mortgage Loan prior to HPD's General Municipal Law, Article 16 loan.

New Housing Opportunities Program

The New Housing Opportunities Program ("New HOP") was established in 1997 by the Corporation to encourage the development of affordable middle income housing in New York City which would not otherwise be produced by the ordinary operations of private enterprise. Pursuant to New HOP, the Corporation will provide subordinate financing in conjunction with first mortgage construction and permanent loans, which first mortgage loans are expected to be made with the proceeds of bonds issued by the Corporation. The first mortgage loans under the first round of the program are expected to be financed with the proceeds of the 1998 Series A Bonds and/or other monies of the Corporation. Each development financed under New HOP will be subject to a regulatory agreement restricting the rents to levels affordable to middle income persons and families.

For each New HOP construction loan made with bond proceeds, the Corporation will require the developer to post a bank letter of credit equal to the face amount of such loan plus a specified interest reserve amount. The letter of credit may be drawn upon by the Corporation if the developer fails to make scheduled payments of interest and principal on the construction loan. Any amounts received by the Corporation under the letter of credit are pledged to the holders of bonds issued under the General Resolution. Following the completion of construction and the fulfillment of certain other conditions, the Corporation will release the letter of credit. In certain cases, the Corporation will finance a permanent first mortgage loan only. Although it is expected that the New HOP permanent loans will not be secured by supplemental security, the Corporation may elect to seek partial mortgage insurance from SONYMA or the New York City Residential Mortgage Insurance Corporation.

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PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the 1998 Series B Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
75 Maiden Lane
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$21,380,000 Multi-Family Housing Revenue Bonds, 1998 Series B (the "1998 Series B Bonds") of the New York City Housing Development Corporation (the "Corporation"), a corporate governmental agency, constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the "Act").

The 1998 Series B Bonds are authorized to be issued pursuant to the Act, the Multi-Family Housing Revenue Bonds Bond Resolution of the Corporation, adopted July 27, 1993, as amended (the "General Resolution"), and the Tenth Supplemental Resolution Authorizing the Issuance of Multi-Family Housing Revenue Bonds, 1998 Series B of the Corporation, adopted August 6, 1998 (the "Tenth Supplemental Resolution"; the General Resolution and the Tenth Supplemental Resolution being collectively referred to as the "Resolution"). The 1998 Series B Bonds are being issued for the purpose of financing the 1998 Series B Mortgage Loan (as defined in the Resolution).

The 1998 Series B Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 1998 Series B Bonds in order that interest on the 1998 Series B Bonds be and remain excluded from gross income for Federal income tax purposes. The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 1998 Series B Bonds shall be excluded from gross income for Federal income tax purposes. In rendering this opinion, we have assumed compliance by the Corporation with such covenant.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the mortgage which is to secure the 1998 Series B Bonds.

Upon the basis of the foregoing, we are of the opinion that:

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State (including the Act), and has good right and lawful authority, among other things, to finance the 1998 Series B Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 1998 Series B Bonds, and to perform its obligations under the terms and conditions of the Resolution, as covenanted in the Resolution.

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

3. The 1998 Series B Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State, including the Act.

4. The 1998 Series B Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or monies pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolution.

5. The 1998 Series B Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues (as defined in the Resolution) and all the Accounts established by the Resolution and monies and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

6. The 1998 Series B Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 1998 Series B Bonds be payable out of any funds other than those of the Corporation pledged for the payment thereof.

7. Under existing statutes and court decisions, interest on the 1998 Series B Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, and interest on the 1998 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, under existing statutes, interest on the 1998 Series B Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 1998 Series B Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 1998 Series B Bond and in our opinion the form of such Bond and its execution are regular and proper.

Very truly yours,