

Accrual Bond (or "Zero Coupon Bond" or "Capital Appreciation Bond") - A type of bond in which the Issuer pays no interest to the investor until the bond's redemption. Interest accrues at the agreed-upon rate and the total dollars which an investor receives upon redemption is based on how long the bond remains outstanding.

Accrual Period - Period over which bond interest payments or swap payments are calculated. The accrual period is typically 6 months, 3 months or 1 month. For bonds the accrual period can be as short as a day for daily variable rate debt to as long as the entire life of the bond for certain types of zero coupon bonds. For swaps the accrual period does not have to be the same for each leg of the swap; the fixed leg can use one accrual period length while the floating leg uses another.

Accrued Interest - Interest on bonds from the dated date or the previous interest payment to the date the investor purchases them. The interest is paid by the investor at the time of purchase and is returned to the investor on the next interest payment date.

Acquisition Fund - The fund created pursuant to a typical single family Trust Indenture into which bond proceeds are deposited and from which whole loans or mortgage-backed securities are purchased.

Acquisition Fund Investment Agreement - For a single family issue, prior to the time that bond proceeds are utilized to purchase whole loans or mortgage-backed securities, funds are typically invested in the Acquisition Fund Investment Agreement.

Additional Bonds Test - Refers to a legal test found in a resolution, ordinance or trust indenture securing bonds governing the ability to issue additional bonds having the same lien on pledged revenues. Usually expressed as a ratio in which historic earnings meet certain levels of future debt service coverage.

Adjustable Rate Mortgage or ARM - A single family mortgage that features predetermined adjustments of the loan interest rate at regular agreed upon intervals based on an established relationship to an agreed upon index. Subject to agreed upon interest rate caps and interest rate floors, on each adjustment date the mortgage rate becomes a rate equal to the index rate plus the agreed upon margin.

Advance Payment - A method for calculating and paying a period obligation in which the payment is made at the beginning of the payment period for the period of time between the beginning of the current payment period to the end of the current payment period. Trustee's fees are often calculated utilizing the advance payment method.

Advanced Refunding - A type of refunding done when it is not possible to redeem all of the refunded bonds within 90 days of the issuance of the refunding bonds. The proceeds of the refunding bonds are used to purchase treasury securities. The principal and interest on the treasury securities provide for the debt service requirements on the refunded bonds. The issuer then pays the debt service on the refunding bonds instead of the debt service on the refunded bonds. Pursuant to federal tax law, private activity bonds can not be advanced refunded with tax exempt refunding bonds.

After Acquired Clause - A contractual clause in a multi-family mortgage stating that any pledge able property acquired by the borrower after the mortgage is closed will be regarded as additional security for the mortgage.

Agreement Among Underwriters - An agreement between the members of an underwriting group which spells out the method which will be used to offer bonds to investors and spells out the rights of each of the underwriters. The primary information which is contained in the Agreement Among Underwriters is the priority in which orders will be filled and the manner in which liability will be assigned between the underwriters.

All or None Underwriting - An arrangement between the issuer and the underwriters in which the issue is cancelled if less than all of the bonds are sold to investors.

Alternative Minimum Tax (AMT) - One of the federal tax law provisions which was added as a result of the Tax Reform Act of 1986 which creates a second method of calculating income and taxes for those individuals and corporations which historically had been able to take advantage of more than the average amount of tax deductions.

Amortization - The process of paying the principal amount of an issue of bonds by periodic payments either through a sinking fund or scheduled maturity for the benefit of bondholders. Payments are usually calculated to include interest in addition to a partial payment of the original principal amount.

Arbitrage - Generally; transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets. With respect to the issuance of municipal bonds; the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on some bond proceeds for various temporary periods after the issuance of municipal bonds. Internal Revenue Service regulations govern the arbitrage treatment of municipal bond proceeds.

Arbitrage Rebate - In single family and multifamily mortgage revenue bond transactions, the Issuer is only allowed to keep investment earnings calculated at a rate equal to the bond yield. If their overall return on an issue's investments is greater than the bond yield, the excess investment earnings have to be rebated to the U.S. Treasury Department. Such excesses are called Arbitrage Rebate.

Arrears Payment - A method for calculating and paying a period obligation in which the payment is made at the end of the payment period for the period of time from the end of the last payment period until the end of the current payment period. Interest on bonds and mortgages is always calculated utilizing the arrears payment method.

Ask (or Offer Price) - The lowest price an investor who wants to sell a security will accept for its purchase.

Assessed Valuation - The value of a piece of property determined by the tax assessor for a municipal entity that is the basis for determining the amount of property tax which will be owed to the municipal entity.

Asset Test - The typical resolution, ordinance or trust indenture contains a provision which allows surplus cash flow to be released from the revenue pledge as long as the Asset Test is met. The Asset Test is met when the total amount of assets in the program exceeds the principal amount of the liabilities by more than a certain percentage. The amount that the assets need to exceed the liabilities to pass the Asset Test is determined by the rating agencies or investors.

AMT Bond - A Tax-exempt bond which is subject to the Alternative Minimum Tax. Generally, all non-refunding, private activity tax-exempt bonds which were issued after 1986 are AMT Bonds.

ARM Margin - The Margin on an adjustable rate mortgage is the agreed upon amount which is added to the index rate on each rate reset date to determine the new mortgage rate.

Balloon Maturity - A term maturity within an issue of bonds which contains a disproportionately large percentage of the principal amount of the original issue and which contains no provision for periodic payments to a sinking fund for the mandatory redemption of specified amounts prior to their stated maturity.

Bank Qualified - The 1986 Tax Code generally denies institutions which borrowed funds to purchase tax exempt bonds from using the interest expense on their loan as an income tax deduction. Bonds which (1) are not private activity bonds, and (2) are issued by a qualified small issuer, may be exempted from this restriction. These bonds are commonly referred to as "Bank Qualified".

Basis Point - A measure of interest rates equal to 0.01% (or .0001). Basis Points are typically used to describe the difference between two interest rate indices or to express the change in any one index from one point in time to another (e.g. interest rates on 30-year Treasury Bonds exceed the interest rate on 10-year Treasury Bonds by 20 basis points).

Basis Risk - Used in swap transactions to describe the risk that the historical relationship between two different markets may change. Clients who use a fixed rate swap based on 67% of LIBOR to hedge tax-exempt variable rate debt are exposed to basis risk between 67% of one month LIBOR and the rate that the issuer pays on its tax-exempt variable rate demand notes. If the BMA Index (as a proxy for tax-exempt Variable Rate Demand Notes) averages greater than 67% of LIBOR (its historical average), the floating rate payment that the client receives in the swap (67% of LIBOR) will be less than the floating rate payment it must make on its bonds (the BMA Index).

Bearer Bond (or "Coupon Bond") - A bond carrying coupons as evidence of future interest payments. Traditionally, most municipal bonds had been issued in coupon or bearer form. The Tax Equity and Fiscal Responsibility Act of 1982 requires that all municipal securities with maturities longer than one year be issued in fully registered form.

Best Efforts Underwriting - An arrangement between the issuer and the underwriters in which the ultimate size of the issue is determined by the lessor of the amount of bonds the issuer wants to issue or the amount of bonds which have been sold by the underwriters.

Bid - (1) A proposal to purchase an issue of bonds offered for sale either in a competitive offering or on a negotiated basis, specifying the interest rate(s) for each maturity and the purchase price which is usually stated in terms of par, par plus a premium, or par minus a discount. (2) A proposal to receive invested funds and pay the bid rate of interest on the invested funds. (3) The highest price an investor who wants to purchase a security will agree to pay for the purchase of that security.

Blue List - A daily publication listing municipal bonds being offered by dealers in the secondary bond market.

Blue Sky Laws - Common term for State Securities Laws, which vary from state to state. Generally refers to provisions related to prohibitions against fraud, dealer and broker regulations, and securities registration.

Bond - An instrument which evidences a debt obligation between the issuer (borrower) and investor (lender).

Bond Counsel - A firm of lawyers which give a legal opinion which speaks to the fact that the Issuer is authorized to issue bonds, that

the bonds are validly issued under the applicable State Law, and if the bonds are tax-exempt bonds, that the interest on them is exempt from Federal and/or State Tax.

Bond Covenant (or "Covenant") - The issuer's enforceable promise to do or refrain from doing some act. With respect to municipal bonds, covenants are generally stated in the bond, resolution, ordinance or indenture. Covenants commonly made in connection with a bond issue include covenants to collect principal and interest payments on invested funds; to enforce the terms of the program's mortgage loans; not to sell or encumber the mortgage loan; not to issue parity bonds unless certain earnings tests are met (additional bonds covenant); and not to take actions which would cause the bonds to be arbitrage bonds (i.e., violate IRS regulations concerning levels of permitted investment earnings).

Bond Fund - A portfolio of bonds administered by a manager who offers shares in such fund to investors. Open-end bond funds offer shares continuously to the investing public, while closed-end bond funds contain a limited number of shares, and new investors must purchase shares from previous investors in such funds. Bond pools of these types are also known as "Managed Funds", because the manager, at his discretion, may buy and sell bonds for the portfolio.

Bond Indenture - See "Indenture".

Bond Insurance - An insurance policy provided by a third party to a transaction which guarantees that the investor will receive the agreed-upon payments of principal and interest on the bonds.

Bond Proceeds - The amount of funds that an issuer receives from the underwriters in a public offering, or from an investor in a private placement, in exchange for the issuer's bonds.

Bond Purchase Agreement - The legal document which explains the underwriters' (in a public offering) or the investors' (in a private placement) obligation to purchase the bonds and the issuer's obligation to deliver the bonds on the agreed-upon closing date.

Bond Yield - The interest rate which causes the present value of the principal and interest that the issuer pays on the bonds to be equal to the amount of proceeds received for the bonds.

Bondholder - The owner of a municipal bond, to whom payments of principal and interest are made. The owner of a bearer bond is the person having possession of the bond, while the owner of a registered bond is the person whose name is noted on the bond register.

Book Entry Bond - A registered bond with ownership recorded with a central registrar and bond depository. Physical delivery of a bond certificate is not available to bondholders.

Book Running Senior Manager - The member of the underwriting group which is primarily responsible for structuring the bond issue and coordinating the marketing of the issue to investors. The Book Running Senior Manager typically does the most work and typically earns the highest fee of any firm in the underwriting group.

Bridge Financing - For single family programs: the balance of the total mortgage financing which is provided with a conventional first mortgage sized at 80% of the purchase price to avoid having to make monthly primary mortgage insurance payments. For multi-family programs: a temporary financing put in place to secure ownership in a project until permanent financing can be secured.

BMA Index - Index of seven-day, tax-exempt, non-AMT, variable rate demand notes that are rated in the highest short-term ratings category for transactions that are greater than ten million. It is published each Wednesday by Municipal Market Data and is effective Thursday through the following Wednesday. The BMA Index is frequently used by tax-exempt issuers as the floating rate index in both fixed rate swaps and floating rate swaps.

Call Premium - An amount of money typically described as a certain percentage which an issuer has to pay to an investor if the issuer executes an optional redemption of the bonds.

Call Provisions - The terms under which bonds are redeemable by the issuer prior to the specified maturity date. The Call Provisions will be included in the indenture, resolution or ordinance and will probably be printed on the bonds.

Callable Bond - A bond which permits or requires the issuer to redeem the obligation before the state maturity date at a specified price (usually at or above par) by giving notice of redemption in a manner specified in the indenture.

Cap Rate - For a multifamily transaction the Cap Rate describes the ratio of a property's net operating income (NOI) to its purchase price.

Capital Appreciation Bond ("Accrual Bond" or "Zero Coupon Bond") - A type of bond in which the issuer pays no interest to the investor until the bond's redemption. Interest accrues at the agreed-upon rate and the total dollars which an investor receives upon redemption is based on how long the bond remains outstanding.

Capitalized Interest - In a single-family transaction the rate of return on acquisition fund investment agreements is less than the

average coupon rate on the bonds. When the invested funds will not produce sufficient funds to pay the interest on the bonds, additional funds need to be invested at closing to pay the portion of the interest on the bonds which will not be paid from the acquisition fund investment agreement. This deficiency as well as the lag payment are capitalized interest. In a multi-family transaction where long term financing is obtained before the project is put into service there is no revenue with which to pay the periodic interest on the debt. Additional funds are often put on deposit to pay the deficiency, or capitalized interest.

Cash Flow Analysis - A quantitative analysis which demonstrates that the invested funds, mortgage loans, or mortgage-backed securities will provide sufficient cash flow to pay the principal and interest on the bonds and all expenses. Typically a Cash Flow Analysis will consist of several different cash flow projections utilizing several different sets of assumptions.

Closing - The meeting of concerned parties on the date of delivery to sign the requisite legal documents and for a bond transaction to physically deliver the bonds in exchange for payment of the purchase price. The parties at closing usually include representatives of the issuer, bond counsel and the purchaser (underwriters). Sometimes a pre-closing meeting is held the day before delivery to review the adequacy of the closing procedures and documents.

Closing Date - See "Delivery Date".

Co-Manager - A member of the underwriting group which is given less responsibility than a senior manager, who typically earns less of the underwriter's fees than a senior manager and who takes less liability than a senior manager.

Co-Senior Manager - A member of the underwriting group which is given more responsibility and liability than a co-manager but less than the book running senior manager. A co-senior typically receives a greater portion of the underwriter's fee than a co-manager, but less than the book running senior manager.

Coinsurance - For single family and multifamily loans Coinsurance is a type of mortgage insurance in which the loan originator agrees to insure part of the mortgage in return for a part of the premium. A stop-loss provision with respect to a pool of mortgage is usually involved. The term is often used in a less generic sense to refer to a now terminated FHA multifamily program. For bond issues and interest rate swaps, coinsurance involves the process of the insurance provider or swap provider participating the risk of the associated policy or contract with other market participants.

Collateralized Mortgage Obligations (CMO's) - A security backed by a pool of mortgages or mortgage backed securities. CMO's are issued with varying classes (tranches), all of which receive interest payment on each interest payment date. Principal payments on the mortgages in the pool are applied to the tranches in order of their maturity date. The tranche with the shortest maturity date will be completely retired before any other tranches receive any principal payments.

Commitment Fee - A fee paid to the issuer of single-family mortgage revenue bonds by a lender to secure the right to originate a specific portion of the available program funds. Typically these funds are used by the issuer to pay all or a portion of the costs of issuance of the issue.

Community Development Block Grants (CDBG) - Programs administered by HUD to aid community and economic development, mostly to benefit activities serving low and moderate income persons. There are three types of CDBG's: Entitlement: Grants to entitlement communities, for a wide range of community development programs for neighborhood revitalization, economic development and improved community facilities and services. The communities develop their own programs in consultation with local residents. Non-Entitlement For States and Small Cities: Grants to communities which are too small to be entitlement areas for similar programs. These programs are generally administered by a state agency. Section 108 Loan Guarantee: These are loan guarantees that offer eligible communities financing for housing rehabilitation, economic development and large scale physical development projects.

Community Housing Development Organizations (CHDO's) - Community based nonprofit entities for which a portion of HOME funds must be set aside.

Competitive Sale - A sale of municipal securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities.

Compliance Agent - The organization which is responsible for completing the Compliance Review.

Compliance Review - In a single-family program, the review process by which the compliance agent determines whether each potential homebuyer conforms to the requirements for borrowers determined by federal tax law. In a multi-family project, the review process by which the compliance agent determines whether the property manager is leasing enough units to qualified tenants to satisfy the federal affordability requirements associated with the type of long term financing utilized.

Compound Interest - A method for calculating periodic interest where interest earned during prior periods, but not paid, are treated as additional principal for the purpose of calculating interest due the next period and for determining the total debt outstanding.

Concession - The per bond compensation of a selling group member for purchasing bonds as a part of an underwriting.

Construction Loan Certificate (CLC) - Temporary, short-term GNMA securities that are issued by GNMA-approved lenders in connection with construction draws requested by a developer as a project is built. The maturity date of all CLCs is always set at a date at least twice as long as FHA's estimated construction period. The CLC bears an interest rate equal to the pass-through rate.

Continuing Disclosure Agreement - An agreement between the issuer and the underwriters in which the issuer agrees to comply with the requirements of SEC Rule 15c2-12(b) (5). Under this rule, underwriters are required to provide information to investors concerning any events which would be deemed material to determining the value of a bond. In the Continuing Disclosure Agreement, the issuer agrees to provide this information on behalf of the underwriters.

Conventional Mortgage Loan - A mortgage loan which is not guaranteed by FHA, VA or USRD and which is either underwritten to conservative loan to value ratios or includes a primary mortgage insurance policy.

Convertible Option Bond (COB) - A bond which is sold as a short-term security but which contains a provision allowing it to be remarketed into a long-term security as part of a single family mortgage revenue bond issue.

Costs of Issuance - The costs associated with the issuance of an issue. Costs of Issuance typically include bond counsel fees, financial advisory fees, issuer counsel fees, trustee's fees, and trustee's counsel fees.

Coupon - The interest rate on a bond the issuer promises to pay the investor until maturity, expressed as a percentage of face value. The term derives from the small, detachable piece of a bearer bond which, when presented to the issuer, entitles the investor to the interest due on that date.

Coupon Bond - A bond, carrying coupons as evidence of future interest payments. Traditionally, most municipal bonds had been issued in coupon form. The Tax Equity and Fiscal Responsibility Act of 1982 requires that all municipal securities with maturities longer than one year be issued in fully registered form.

Covenant or "Bond Covenant" - The issuer's enforceable promise to do or refrain from doing some act. With respect to municipal bonds, covenants are generally stated in the Bond, Resolution, or Indenture. Covenants commonly made in connection with a bond issue include covenants to collect principal and interest payments on invested funds; to enforce the terms of the program's mortgage loans; not to sell or encumber the mortgage loan; not to issue parity bonds unless certain earnings tests are met (additional bonds covenant); and not to take actions which would cause the bonds to be arbitrage bonds (i.e., violate IRS regulations concerning levels of permitted investment earnings).

Coverage - The ratio of pledged revenues or net operating income available annually to pay debt service, as compared to the annual debt service requirement. The ratio is one indication of the margin of safety for payment of debt service.

coverage = pledged revenues or net operating income/debt service requirement

Credit Enhancement - An insurance policy or a letter of credit which provides a guaranty to investors that they will receive the agreed-upon principal and interest payments on the bonds or guaranteeing that principal and interest payments will be received on the pledged loan or loans.

Credit Event - An event which affects the credit worthiness of either the issuer, a specific project, a guarantor, investment provider or swap provider. What constitutes a credit event will be specified in the controlling documents; a guaranty agreement, continuous disclosure agreement, investment agreement or the ISDA master agreement. The remedies for a credit event are also specified in the controlling document and can include a requirement to post collateral or even terminate the transaction.

Cross-Default - A cross-default refers to an event of default in an agreement triggered because the party defaults on another obligation.

Cross-Default Thresholds - Thresholds, which are specified in the controlling agreements, allow for a party to default on obligations up to the amount of the threshold before a cross-default would occur.

Current Delivery Bond - Bonds which are delivered on the bond issue's closing date.

Current Interest Bond - A bond which has stated periodic interest payment dates such that interest on the bond is always calculated on a simple interest basis.

Current Refunding - The issuance of a series of bonds in which the proceeds will be used to redeem outstanding bonds within 90 days from the delivery date of the refunding bonds.

Cusip Number (Committee on Uniform Securities Identification Procedures) - An identification number assigned to each maturity of an issue, which is usually printed on the face of each individual certificate of issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities.

Dated Date - The date from which an investor will earn interest to be paid on the first interest payment date after the purchase of

their bond.

Day Count Convention - Determines how interest is calculated over a specified period of time. Typical day count conventions: Fixed Rate Municipal Bonds, Fixed leg of a swap: 30/360, Variable Rate Demand Bonds, the BMA Index: Actual/Actual, LIBOR, auction rate securities: Actual/360

Debt Service - The amount of money necessary to pay; interest on an outstanding debt, the serial maturities of principal for serial bonds, and the required contributions to an amortization or sinking fund for term bonds. Debt service on bonds may be calculated on a calendar year, fiscal year, or bond fiscal year basis.

Debt Service Coverage - See Coverage.

Debt Service Reserve Fund - A pool of funds invested pursuant to an Indenture which are to be utilized to pay the principal and interest on a bond issue in the event that the mortgage loans or the mortgage-backed securities do not provide sufficient funds.

Default - Breach of some covenant, promise, or duty imposed by the Bond Indenture or other agreement. The most serious default occurs when the issuer fails to pay principal or interest (or both) when due. Other technical defaults result when specifically defined events of default occur, such as failure to meet covenants. If the issuer defaults in the payment of principal, interest, or both, or if a technical default is not cured within a specified period of time, the bondholders or trustee may exercise legally available rights and remedies for enforcement of the agreement.

Delivery Date - The date on which the issuer delivers the bonds to the underwriters (in a public offering) or to the investor (in a private placement) in exchange for funds delivered to the Issuer. Also known as the closing date.

Denomination - The face value of the bond with the smallest possible principal amount as specified in the indenture, ordinance or resolution. Most municipal bonds are issued in minimum denominations of \$5,000. Notes are generally available in \$25,000 minimum denominations. Often larger denominations are specified by an issuer to try to prevent riskier bonds from being held by unsophisticated investors.

Depository Trust Company - A facility which acts as a securities depository on behalf of investors to hold their bonds. One bond is issued for each maturity of an issue and the bond is registered to DTC. DTC participates the interest in the bond to the actual investors. Bonds which are held by DTC can be sold and transferred from one investor (DTC Participant) to another investor (DTC Participant) without a physical exchange of the bonds.

Designation - When a bond is sold to an investor pursuant to a priority order, the investor is allowed to determine which member or members of the underwriting group is to receive credit for the bond sale. The investor can specify which members of the underwriting group can get credit pursuant to the issuer-approved designation rules.

Designation Rules - When a bond issue is marketed to investors, the issuer approves the rules which will be described in the agreement among underwriters. These rules specify the minimum number of members of the underwriting group who will get credit for the bond sale and the maximum percentage of the sale any member of the underwriting group can be given.

Direct-Pay Credit Enhancement Instrument (CEI) - In a single-family financing, the type of enhancement typically used to guaranty unhedged variable rate debt service payments or swap payments. A third party guarantor provides the guaranty which makes payments directly to the trustee to satisfy the issuer's obligation. Payments from mortgage loans, mortgage backed securities, or even the issuer's general fund are then utilized to reimburse the guarantor for the draws made upon the instrument.

In a multi-family financing, the type of enhancement offered by Fannie Mae and Freddie Mac for the purpose of providing full credit support to taxable or tax exempt bonds. The direct pay structure of the instrument or agreement provides that the bond trustee will draw upon the instrument from Fannie Mae or Freddie Mac without first relying on loan payments made by the project borrower. Loan payments received by the bond trustee pursuant to the multi-family note executed by the borrower at bond closing are used to reimburse Fannie Mae or Freddie Mac for the draws made upon the instrument.

Discount Bond - A bond which is sold to an investor at a price which is less than the principal amount of the bond.

Discount Points - In a single-family program, an amount charged to a borrower by a lender for the origination of a mortgage loan. One Discount Point is equal to 1.0% of the amount of the mortgage loan. Typically the number of Discount Points which a lender can charge a borrower is spelled out in the mortgage origination agreement.

Double Tax-Exempt Bond - A bond which is exempt from both federal and state income taxes.

Down Payment - In a single-family program, the portion of the purchase price of a home which the borrower cannot borrow from the first mortgage lender.

Down Payment Assistance - In a single-family program, funds which are provided by the issuer or another third party which can be used to offset all or a portion of the borrower's down payment.

Draw Down Bond - A single-family bond which the issuer authorizes in a not-to-exceed amount but which is not completely delivered at closing. Additional bonds, up to the not-to-exceed amount, are issued at one or more times after closing. Draw Down Bonds are typically used to create a facility to capture and preserve volume cap.

Economic Occupancy - The ratio of net rental income to gross potential rent.

Economic Refunding - A type of a refunding where the assets financed with the proceeds of the refunded bonds are transferred to provide security for the refunding bonds.

Escrowed-to-Maturity Bonds - Bonds secured by funds or investments placed in an escrow account to pay the debt service on the bonds until their stated maturity.

Essential Function Bond - A bond which is not a private activity bond or a 501(C)(3) bond. Essential Function Bonds can be issued under federal tax law by any governmental entity to accomplish legitimate public purposes. Housing issuers typically utilize Essential Function Bonds to finance property development projects which they will own.

Excess Servicing - The typical coupon rate differential between the mortgage loan rate and the rate on mortgage-backed securities is 50 basis points. If the issuer agrees to a larger spread, the additional amount is known as Excess Servicing and can be sold to the servicer to generate funds which can be used to provide down payment assistance or offset a portion of the costs of issuance.

Failed Remarketing - An event in which occurs with variable rate demand notes where the bondholder exercises its tender option and the remarketing agent or tender agent is unable to remarket the bonds to new investors on the tender date.

Federal Tax Law - The section of federal law which provides the authority for the issuance of tax-exempt bonds and which specifies the rules for the various programs and features which programs financed by them can contain.

Financial Advisor - An individual or group of individuals who are hired by the issuer to represent their interests in structuring and bringing to market bond issue or derivative contract.

First Time Homebuyer - For purposes of single family mortgage revenue bond programs and mortgage credit certificate programs, a borrower who has not held an ownership interest in a principal residence at any time during the three year period which ends on the date on which their mortgage loan is executed.

Fixed Leg - The payment stream in a swap that depends on a pre-determined fixed rate. The fixed rate is determined at the outset of the swap transaction and is based on current market conditions, the floating rate index of the swap, the accrual frequency and the average life of the swap.

Fixed Rate Bond - A bond which will bear interest at one or more interest rates which are known at the time the bonds are issued. While a Fixed Rate Bond can have more than one interest rate, the date on which the interest rate changes and the new interest rate itself must be specified with certainty.

Fixed Rate Swap - An interest rate swap where the issuer (client) makes payments based on a fixed rate and receives payments based on a floating rate index from the swap provider. Typically used in conjunction with variable rate debt to create synthetic fixed rate debt service.

Float Agreement - As mortgage loan payments or cash flow from other investments are received into the indenture they are invested in an investment agreement called the Float Agreement. Deposits are made as funds are received and withdrawals are made when program expenses or bond debt service is paid. The Float Agreement specifies an interest rate and the terms and conditions for deposits and withdrawals.

Floating Leg - The payment stream in a swap that depends on some short-term interest rate index. Common indices used in tax-exempt swaps are the BMA Index and LIBOR. The interest rate changes for each accrual period of the swap and depends on where the floating rate index sets for that period.

Floating Rate Bonds - Bonds on which the coupon rate can either change to a non-predetermined rate on a known date or dates, or on which the coupon rate can change to a known rate on an unknown date or dates.

Floating Rate Swap - An interest rate swap where the issuer (client) makes payments based on a floating rate index and receives payments based on a fixed rate from the swap provider. Typically used in conjunction with fixed rate debt to create synthetic floating rate debt service.

Flow of Funds - The manner, specified in the indenture or resolution, in which revenues are directed so as to properly pay for arbitrage rebate, program expenses, interest payments on senior lien bonds, principal payments on senior lien bonds, interest payments on junior lien bonds and principal payments on junior lien bonds. The Flow of Funds creates a road map for the trustee to follow in segregating, investing, and spending program funds.

Foreclosure - A procedure in which property pledged as security for a debt is sold to repay the debt in the event of a default in payments or terms.

Forward Delivery Bond - A bond which is not delivered on the closing date but which is delivered at some known time in the future.

Forward-starting Swap - An interest rate swap with pre-determined specifications that begins on a specified future date.

FHA - The Federal Housing Administration is an agency of the federal government whose charge is to assist in providing housing for underprivileged citizens of the United States.

FHLB (Federal Home Loan Bank) - One of the twelve federally chartered regional banks of the Federal Home Loan Bank System. A Federal Home Loan Bank's primary function is to supply credit to member banks.

FHLMC (Freddie Mac) - Federal Home Loan Mortgage Corporate is one of two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the federal government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

FNMA (Fannie Mae) - The Federal National Mortgage Association is one of two private corporations whose charger is authorized and guaranteed by (on an annual appropriations basis) the federal government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

FNMA Forward Purchase Program - A single family mortgage revenue structure in which bonds are privately placed to FNMA. FNMA enters into a contract which allows an issuer to deliver to them multiple issues of bonds up to the total commitment amount specified in the contract. The terms of each issue, except for the interest rate on each issue, are specified in the contract. The contract also includes a formula to determine the interest rate on each issue based on an agreed relationship to a municipal housing index. This allows the interest rate on each series to have a fixed relationship to the municipal bond market each time that a series is priced. Bond series can be as small as \$1,000,000 or as large as the remaining commitment amount. Features can be included in the contract to allow the bonds to be issued as forward delivery bonds and or premium bonds.

Government Sponsored Enterprises (GSE's) - Federally chartered, private owned corporations - which carry an implicit guarantee of the federal government. Examples are FNMA and FHLMC.

Governmental Purpose Bond - See Essential Function Bond.

Gross Potential Rent - The total revenue generated over a period of time if an apartment is 100% occupied.

Group Net Order - Typically the highest priority of order an investor can place with a member of the underwriting group during the pricing of a bond issue. The members of the underwriting group will receive credit for the order on the basis of the liability percentages which the issuer has determined for each of the members. Typically, all group net orders must be filled before any priority orders or member orders can be filled.

GIC (Guaranteed Investment Agreement) - A Guaranteed Investment Agreement is an agreement between a private corporation and the trustee of a single or multifamily bond issue pursuant to which funds held under the Indenture are invested. Funds invested in a Guaranteed Investment Agreement are secured by the full faith and credit of the provider of the agreement. Since Guaranteed Investment Agreement's involve a significant portion of the assets of the Indenture, the rating on the bonds is often dependent upon the credit rating of the Guaranteed Investment Agreement provider.

GNMA (Ginnie Mae) - The Government National Mortgage Association is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development. GNMA is charged with providing a guaranty to mortgage-backed securities which are backed by a pool of mortgage loans insured by FHA, VA or USRD.

GNMA-Collateralized Bonds - A multifamily revenue bond that is backed by an FHA insured multifamily mortgage loan and further enhanced by a mortgage backed security (MBS). GNMA is technically not an issuer of mortgage-backed securities, but rather acts as guarantor of the FHA-insured MBS issued by private GNMA-approved lenders.

Housing Assistance Payment (HAP) Contracts - Created under Section 8 and entered into between HUD and the project owners originally for periods between 20 and 40 years. The contracts specify the rent levels to be supported by the government subsidy. Expiring contracts may currently be renewed at adjusted rent levels for a period of one to five years under the Multi-family Assisted Housing Reform and Affordability Act of 1997 (MAHRA).

HOME Investment Partnership Program (HOME) - A housing block grant program authorized by the National Affordable Housing Act of 1990 which provides federal funds which may be used for ownership or rental housing or tenant-based assistance.

HUD (U.S. Department of Housing and Urban Development) - The executive department which administers most federal housing programs.

Indenture - An agreement between the trustee representing the investors and the issuer which specifies all of the terms under which the bond proceeds will be utilized and the terms under which the bonds will be repaid.

Institutional Investor - An investor which is not investing their own personal funds but who is investing either corporate funds or funds of multiple individuals.

Interest - (1) Compensation for the use of borrowed money, generally expressed as an annual percentage of the principal amount; or (2) share, right, or title in property.

Interest Only Strip - A type of investment which is secured by a portion of the interest on mortgage-backed securities. As such, the Interest Only Strip will only provide a return to an investor as long as the mortgage-backed securities remain outstanding.

Interest Payment Date - The date on which interest is paid on the bonds. Typically, single and multifamily mortgage revenue bonds pay interest with semi-annual interest payment dates.

Interest Rate - The annual percentage of the principal amount payable for the use of borrowed money.

Interest Rate Swap - A contractual agreement between two parties to exchange a series of cash flows based on a specified notional amount and specified interest rates (either a fixed rate or a floating rate index).

Investment Agreement - See Guaranteed Investment Agreement.

Investment Banker - A firm or an individual member of a firm that underwrites new issues of municipal securities.

Investment Grade - The broad credit designation given bonds which have a high probability of being paid. Such bonds have few, if any, speculative features and are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's. Bank examiners require that most bonds held in bank portfolios be investment grade.

Issuer - A government instrumentality which is authorized to sell bonds to investors and to obligate themselves or enter into indentures, ordinances or resolutions for the repayment of the bonds.

Issuer's Counsel - A lawyer or group of lawyers hired by the issuer to represent the issuer's interest in all of the agreements which the issuer will enter into to complete a bond transaction.

ISDA - International Swaps and Derivatives Association is the principal trade group for swaps and derivatives dealers as well as allied organizations.

Jumbo Mortgage - A mortgage loan larger than the FNMA and FHLMC prescribed limits for mortgage loans which qualify to be included in mortgage backed securities.

Junior Lien Bonds - Bonds which are structured so that they will only be repaid with funds which are available after all of the debt service requirements of an issue or issues of senior lien bonds have been provided for.

Lag Payment - A payment of funds which is required due to the delayed basis on which mortgage loans or mortgage-backed securities pay interest. Because of this delay in the period of time between the purchase of a mortgage loan or mortgage-backed security and the receipt of the first payment, there will be a shortfall equal to approximately one-month's interest payment when the first bond interest payment is due. Funds need to be put on deposit to provide for this program loss.

Lead Manager - See Book Running Senior Manager.

Lease To Own - A home ownership program in which an Issuer or 501(C)(3) purchases a home and rents it to a tenant until such time as the tenant can purchase the home.

Legal Opinion - An opinion concerning the validity of a securities issue with respect to statutory authority, constitutionality, procedural conformity, and usually the exemption of the interest from federal income taxes.

Lendable Proceeds - Bond proceeds available for direct loans, mortgage purchases, mortgage backed security purchases, or loans to lenders activities.

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Lender - An intermediary which is authorized to underwrite mortgage loans to either FHA, VA, USRD, FNMA or FHLMC standards, to fund such mortgage loans, and to sell them to a secondary market source.

Letter of Credit - A form of credit enhancement in which funds are reserved in a prescribed amount which can be drawn down as necessary to provide for cash flow deficiencies.

Liquidity Facility - An agreement associated with variable rate bonds which provide funds so that an issuer or a remarketing agent can purchase bonds from an investor at their principal amount at any time in the event of a failed remarketing.

Loan to Value Ratio (LTV) - The ratio of the amount of funds borrowed when financing a property relative to the total sales price or appraised value. The lower the ratio, the larger the owner's equity and presumably the less risk involved in making the loan.

Loans to Lenders - A multifamily mortgage financing method used by issuers in which loans are made to lenders under conditions which set the mortgage contract rate and the borrower eligibility standards under which the funds will be reloaned to the ultimate borrowers.

Low Income - In program eligibility determinations, defined as some percentage of the median income. FHA regulations define Low Income as 80% of median income for HUD programs.

Low Income Housing Tax Credit Program - Used by private developers and non-profit entities to construct or rehabilitate affordable rental units. Federal and state tax credits may be used to obtain a dollar-for-dollar reduction income tax liability for 10 years or to obtain equity for a project through syndication of the credits. Syndicators bundle multiple properties in limited partnerships and self interest to investors. Investors receive tax credits, taxable losses (or income) and cash distributions from the underlying investments.

LIBOR - London Interbank Offered Rate is the rate that international banks charge each other for borrowing money. It is set by the British Bankers Association at 11:00 AM London time each day. LIBOR is conventionally used as the index for taxable rate notes and for taxable swaps.

Major Rehab - Major or substantial rehab refers to residential rehabilitation which involves substantial structural renovation, usually to one or more of a building's systems. - GET THE SPECIFIC FEDERAL TAX LAW DEFINITION.

Management Fee - A portion of the underwriter's fee which is intended to pay the underwriters for their work in structuring and exercising a transaction for the issuer.

Mandatory Redemption - A type of redemption described in the indenture for which there is little if any options. While the indenture will always describe how to calculate the funds which must be used for a Mandatory Redemption, often the issuer has the ability to determine which bonds are redeemed with the Mandatory Redemption funds.

Mark-to-Market Value - The current market value of any investment or interest rate swap at any moment in time. In a fixed rate investment transaction it reflects value of the interest rate on the investment compared to the interest rate on a like investment offered at par in the current market. If the interest rate on a fixed rate investment is greater than the current market rate the mark to market will be positive. If the interest rate on a fixed rate investment is less than the current market rate the mark to market will be negative. In an interest rate swap transaction it reflects the value of the fixed interest rate being paid or received by an issuer compared to the fixed interest rate which would be required to be paid or received on an interest rate swap against the same variable rate index in the current market. For a synthetic fixed rate swap, if the issuer is paying an above market rate the mark to market value will be negative. For synthetic variable rate swaps, if the issuer is receiving an above market rate the mark to market value will be positive.

Market Risk - In interest rate swap transactions the risk that market movements cause the mark-to-market value of the swap to move against the issuer. Market risk exposes the issuer to the possibility that it will have to make a payment if it wants to terminate the swap early.

Master Indenture - A type of indenture which allows multiple issues of bonds to be issued under a standard of set documents. Some types of Master Indentures provide for different issues of bonds which stand alone from a security perspective and some types of Master Indentures provide for different issues of bonds which are secured by all of the assets under the indenture. Some Master Indentures allow any bonds to be redeemed from any of the assets, and other Master Indentures allow only certain bonds to be redeemed from certain assets.

Master Servicer - A Master Servicer is a servicer who has agreed to purchase and service mortgage loans which have been originated by any of the lenders who qualify under the terms of the mortgage origination agreement.

Maturity Date - The date on which the principal amount of a bond must be repaid to the investor.

Median Family Income - The annual gross income which has exactly the same number of families with incomes above the Median Family Income as the number of families with incomes below the Median Family Income.

Median Sales Price - The home sales price in a defined market area which has exactly the same number of homes with sales prices

above the Median Sales Price as the number of homes with sales prices below the Median Sales Price.

Member Order - An order for bonds placed by an investor for which 100% of the credit for the order goes to the member of the underwriting group which received the order. A Member Order can only be filled after all group net orders and priority orders have been filled, but must be filled before any stock orders can be filled.

Moderate Income - In program eligibility determinations, defined as some percentage of the median income. FHA regulations define Moderate Income as between 80% and 120% of median income for HUD programs.

Mortgage - The instrument which secures a mortgage loan and creates a first lien on a residence subject to certain permitted encumbrances which shall be in the form permitted by FHA, VA, USRD, FNMA or FHLMC.

Mortgage Banker - A private company which originates, and may service, mortgage loans which are sold to primary or secondary market investors.

Mortgage Credit Certificate (MCC) - A Certificate provided by an issuer authorized to utilize private activity bond volume cap which entitles a homeowner to take credit on their federal income taxes in an amount equal to a certain percentage of the interest paid on their mortgage loan.

Mortgage Forgiveness - A method by which an issuer adjusts the terms of a borrower's mortgage loan to change them in a manner favorable to a borrower to satisfy federal tax law requirements. Typically Mortgage Forgiveness will result in either a cancellation of the requirement to repay the mortgage principal which remains outstanding, or in a reduction on the interest rate which will be paid on the mortgage principal which remains outstanding. Mortgage Forgiveness usually is triggered by an event such as when the final tax exempt program bond is retired.

Mortgage Guarantor - FHA for an FHA Mortgage Loan, the Veteran's Administration for VA mortgage loans, USRD for USRD mortgage loans, a primary insurance provider, FNMA or FHLMC for conventional mortgage loans.

Mortgage Loan - A loan made by a Lender on behalf of an issuer to finance the purchase of a qualifying residence, evidenced by a note and secured by a mortgage, which meets the requirements of the program.

Mortgage Origination Agreement - An agreement between the issuer, the lenders, and the servicers and/or master servicer which sets out the program features for qualifying mortgages, the terms under which the mortgages can be originated, and the terms under which they will be sold to the servicer.

Mortgage Reservation - The method for allocating program funds when commitment fees are not charged to provide specific pools of funds which can be originated by specific lenders. Typically used in first-come, first-serve programs to track mortgage originations and to determine when program funds have all been allocated to specific borrowers.

Mortgage Reserve Fund - A pool of funds invested pursuant to an indenture which are to be utilized to pay any losses associated with a portfolio of mortgage loans.

Mortgage Revenue Bond (MRB) - A taxable or tax exempt security issued by a state, certain agencies or authorities, or a local government to make or purchase loans or mortgage backed securities used to finance single or multifamily residences.

Mortgage Yield - The interest rate at which the present value of all of the mortgage payments are equal to the principal amount of the mortgage loans adjusted for any origination fees, discount points or down payment assistance paid by or to the borrowers.

Mortgage-Backed Securities (MBS) - Securities which are backed by pools of mortgage loans and are guaranteed by GNMA, FNMA, or FHLMC.

Mortgagor - The person or persons responsible for making payments under the terms of a mortgage loan.

Multifamily Housing - Typically refers to rental housing in buildings of five or more units.

Municipal Bond Insurance - See Bond Insurance.

Municipal Securities Rulemaking Board (MSRB) - An independent self-regulatory organization established by the Securities Acts Amendments of 1975 which is charged with primary rule making authority over dealers, dealer banks, and brokers in municipal securities.

Negative Arbitrage - The cost associated when in a single or multifamily mortgage revenue bond issue the earnings rates on the program investments are less than the average bond coupon rate.

Negotiated Sale - The sale of a new issue of municipal securities by an issuer through an exclusive agreement with a previously selected underwriter or underwriting syndicate. A negotiated sale should be distinguished from a competitive sale, which requires

public bidding by underwriters. Primary points of negotiation for the issuer are the interest rate and purchase price, which reflect the issuer's costs of offering its securities in the market. The sale of a new issue of bonds in this manner is also known as a negotiated underwriting.

Net Interest Cost (NIC) - A method of computing the interest expense an issuer will incur by issuing bonds. NIC is computed by determining the average coupon rate weighted to reflect the time until repayment of principal and adjusted for any premium or discount.

Net Operating Income - For a multifamily program, rental income less all operating expenses, which generally includes a deposit to a replacement reserve.

Net Rental Income - For a multifamily program, gross potential rent less losses attributable to vacancy, concessions and bad debt or write-offs.

Netting of Payments - In an interest rate swap the swap payments are netted on each swap payment date so that cash flow only goes in one direction. In swaps where the accrual periods are different, the payments are only netted when the two payment dates for the two swap legs correspond.

New Money Bond - A single or multifamily mortgage revenue bond which is not a refunding bond issued pursuant to an unused source of private activity bond volume cap.

Non-Asset Bonds - When a single or multifamily program is under parity, the Non-Asset Bonds are that portion of the bond issue which is equal to the difference between the amount of assets invested under the indenture and the principal amount of bonds outstanding.

Non-AMT Bond - A tax-exempt bond which is not subject to the alternative minimum tax. Generally all new money tax-exempt bonds which were issued prior to 1987 are Non-AMT bonds.

Non-Origination Redemption - A bond redemption which is funded with bond proceeds which have not been used to purchase mortgage loans or mortgage-backed securities.

Note - 1) The promissory note or other documents evidencing the obligation of a Mortgagor to repay a mortgage loan. 2) Bonds which are issued which generally have a maturity date of less than one year.

Notice for Tender - An invitation by the issuer of bonds, or its representatives, for bondholders to offer the issuer's bonds at a predetermined price, or a price at which the bondholder is willing to sell to the issuer. The Notice for Tender usually authorizes the issuer to reject tender offers in whole or in part.

Notice of Redemption - A publication of the issuer's intention to call outstanding bonds prior to their stated maturity dates, in accordance with the indenture, ordinance or resolution.

Notice of Sale - An offering document disseminated by an issuer of municipal securities which gives pertinent information regarding an upcoming bond issue and invites competitive bids from prospective underwriters. Unless the competitive sale is utilizing an electronic only bid process, the Notice of Sale will contain the bid form to be used by an underwriter to submit a bid to the issuer to purchase the bonds.

Notional - The principal amount in swap transactions used to calculate interest payments. The Notional principal amount is never exchanged. Periodic swap payments and the mark-to-market value of the swap depend on the notional principal amount.

NRMSIR - Each then existing Nationally Recognized Municipal Securities Information Repository within the meaning of SEC Rule 15c2-12. NRMSIR's are required to collect disclosure information on existing bond issues and distribute this information to investors at their request.

Official Statement or Offering Circular - The disclosure document which describes the issue to the Investors who purchase the bonds. The Official Statement includes all of the information which investors feel is important in determining the value of the bonds.

Optional Redemption - A bond redemption which is undertaken at the direction of the Issuer. Presumably an Issuer will only give such direction if they perceive that there is some advantage in redeeming the bonds. Typically an Optional Redemption can only be accomplished at the earliest agreed opportunity if the investor whose bond is being redeemed is paid a premium.

Optional Termination - The issuer has the right to terminate the swap at market at any time throughout the term of the swap contract. The issuer will either make or receive a payment based on the Termination Value.

Original Issue Discount - The difference between the purchase price of a Discount Bond and its Principal Amount.

Origination Fee - A fee paid to a lender for the work involved in originating a mortgage loan.

Origination Period - The period of time after the delivery date in which lenders originate mortgage loans and can sell them to the Servicer or Master Servicer.

Over-Collateralized - The situation which exists when the total of all of the program assets exceeds the principal amount of bonds outstanding and other liabilities.

Par Bond - A bond which is sold to an investor at a price equal to its principal amount.

Parity Bonds - Bonds which when issued are commonly secured with other bonds already outstanding.

Pass Through Rate - The interest rate on the mortgaged-backed securities which secure the bonds. The rate calculated by deducting the servicing fee and the MBS guaranty fee from the mortgage rate on the loan. It represents the amount ultimately passed along to the trustee for bondholders.

Paying Agent/Registrar - The entity which is responsible for keeping track of which investors own bonds and for making debt service payments to them.

Percent-of-LIBOR Fixed Rate Swaps - Fixed rate swaps where the floating rate index is based on a percentage of LIBOR. The BMA Index has averaged about 67% of 1M LIBOR over the past ten years. Many tax-exempt issuers choose to enter into fixed rate swaps based on 67% of 1M LIBOR rather than on the BMA Index. The issuer can also choose a different percentage of LIBOR depending on their risk preferences. The fixed swap rate that the issuer pays is higher for higher percentages of LIBOR.

Permanent Loan Certificate (PLC) - Long-term GNMA security for which all CLCs are exchanged upon completion of a project and final endorsement of the mortgage by FHA. The date on which this exchange occurs is referred to as the PLC delivery date.

Physical Occupancy - Generally reflects the ratio of the number of apartment units that are physically occupied at a specific point in time to the total number of apartment units within the apartment project.

Planned Amortization Class Bond (or PAC Bond) - A type of bond which is designed to have the same average life when the mortgage loans which secure a bond issue prepay within a certain prescribed range of prepayment speeds.

Point and an Eighth Spread - See 1.125% Spread.

Pool Insurance - A policy which will cover any losses in a portfolio for mortgage loans which are not recovered by the sale price of the residence and the primary mortgage insurance.

Pre-Ullman Bond - A bond which was issued prior to the effective date of the Mortgage Subsidy Bond Tax Act.

Preliminary Official Statement - The disclosure document which describes the issue and is sent to potential investors prior to their making an investment decision. The Preliminary Official Statement includes all of the information which an investor will feel is important in determining the value of the bonds.

Premium - The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

Premium Bond - A bond which is sold to an investor at a price which is greater than the principal amount of the bonds.

Prepayments - Any payment by a mortgage or other recovery of principal on a mortgage loan other than a scheduled installment of principal on a mortgage loan and the portion of any insurance proceeds, liquidation proceeds or other payments representing such principal amounts.

Primary Market - The market in which bonds are purchased and sold on their delivery date.

Primary Mortgage Insurance - A policy of insurance issued by a private mortgage insurer providing for coverage on losses realized as a result of default in payment of principal of and interest on a mortgage loan.

Principal Amount - The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Priority Order - A Designated Order or a Group Net Order which is given by an investor to a member of the Underwriting Group. All Priority Orders will be filled before any Member Orders have been filled.

Private Activity Bond - A bond for which more than 10% of the Bond Proceeds are to be used directly or indirectly in a trade or business carried on by persons other than governmental units, and for which more than 10% of the debt service on the bonds is directly or indirectly secured by a private business. Private Activity Bonds are taxable unless specifically exempted. As used in

reference to single family housing issues, Private Activity Bonds refer to Exempted Private Activity Bonds which are Private Activity Bonds for which there is a specific exemption from the normal taxable rule. The Tax Reform Act of 1966 grouped mortgage revenue bonds with all other categories of Exempted Private Activity Bonds and set a cap on the amount of such bonds which could be issued in any one year. As a result of the intense competition for Private Activity Volume Cap, the available supply of tax-exempt bonding authority is significantly exceeded by the demand.

Private Activity Bond Volume Cap - The amount of Exempted Private Activity Bonds which can be issued in any State within a given calendar year. The amount of Private Activity Bond Volume Cap each State is authorized to use is based on the population of the State and is equal to \$50 per capita with a minimum of \$150,000,000 for each State.

Private Placement - A type of bond offering where the bonds are sold to a limited number of investors, sometimes by the Issuer directly to investors and sometimes through the Underwriters.

Program Administrator - The entity responsible for monitoring and promoting the originations of mortgage loans throughout the origination period.

Program Expenses - The expenses which must be paid by the program for its administration. Such expenses as Trustee's Fees, Program Administrator Fees, Issuer Administration Fees, Credit Enhancement Fees, and Paying Agent/Registrar Fees are examples.

Project Fund - See Acquisition Fund.

Project Fund Investment Agreement - See Acquisition Fund Investment Agreement.

Public Offering - A type of bond offering where the bonds are sold by the Issuer to the Underwriters who in turn sell the bonds to investors.

PSA Speed - A measure of the prepayments projected to occur in a mortgage portfolio. 100% PSA is equal to annual prepayments of 0.2% of the mortgage portfolio for the first month of the mortgage portfolio's life. The amount of monthly prepayments then increases by an annual rate of 0.2% per month for the first 30 months of the portfolio's life and remains constant at an annual rate of 6.0% of the portfolio for its remaining life.

Rating - Evaluations of the credit quality of notes and bonds usually made by independent rating services, although many financial institutions also rate bonds for their own purposes. Ratings generally measure the probability of the timely repayment of principal of and interest on municipal bonds. Ratings are initially made before issuance and are continuously reviewed and may be amended to reflect changes in the Issuer's credit position. The information required by the rating agencies varies with each bond issue, but generally includes demographics, debt burden, economic base, finances, and management structure. The information is evaluated and the issue is assigned a letter rating which reflects the creditworthiness of the bonds. The higher the credit rating, the more favorable the effect on the marketability of the bond.

Rating Agency - A private corporation which analyzes bond issues and assigns a Rating to indicate to prospective bondholders the investment quality of the issue. There are currently three nationally recognized rating agencies: Standard & Poor's Corporation, Moody's Investors Service, and Fitch Investor's Service.

Real Estate Assessment Center (REAC) Score - A HUD-developed score on a scale from 1 to 100 which rates the overall physical condition of an apartment project.

Record Date - The fifteenth day of the calendar month next preceding any Interest Payment Date, or in the case of any proposed redemption of bonds, the fifteenth day of the calendar month preceding the date of the mailing of the notice of such redemption. The owner of record on the Record Date is the entity to whom any payments due are paid.

Recycling - The process of reutilizing Private Activity Volume Cap through one of two methods. Internal Recycling is accomplished when mortgage repayments are reloaned to homebuyers instead of being used to redeem bonds. External Recycling is accomplished when refunding bonds are issued and the proceeds are utilized to redeem bonds from another program for which mortgage repayments to effect the redemption are already on hand. The accumulated mortgage repayments are then transferred to the refunding bond issue and are used to fund new mortgage loans.

Redemption Provision - The terms of the Bond giving the Issuer the right or requiring the Issuer to redeem or call all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specified price, usually at or above par.

Refunding Bond - A bond which is being issued, the proceeds of which will be used to redeem outstanding bonds within 90 days from the delivery date of the refunding bonds.

Remarketing - The delivery of bonds to fund a program; the terms for the issuance of which are specified in the Bond Documents of an outstanding issue of bonds.

Remarketing Agent - The Remarketing Agent is responsible for finding a new investor for bonds which have been tendered by

investors or for which the Issuer has sent out a Mandatory Tender Notice. Most of the time a Remarketing Agent is associated with variable rate bonds.

Remarketing Agreement - An agreement between an Issuer and the Remarketing Agent which explains the terms under which the Remarketing Agent will remarket the Issuer's bonds.

Rent Roll - A listing of all apartment units generally containing the names of all tenants and the amount of rent being charged.

Replacement Reserve - An amount of money, the size of which is generally determined by the completion of a third-party property condition report, set aside in anticipation of future replacement and capital expenditures. Usually quoted in terms of dollars per unit per year.

Reserve Fund - See Debt Service Reserve Fund.

Restricted Yield - While the proceeds of a tax exempt bond issue which are not invested in Mortgage Loans or Mortgage Backed Securities can be invested at a yield which is higher than the yield on the tax exempt bonds, the earnings which represent the difference between the invested yield and the Bond Yield have to be rebated to the Federal Government. The Bond Yield is therefore the Restricted Yield for these types of investments.

Retail Investor - An investor which purchases bond investments for their own personal account.

Retention - A portion of a bond issue which is determined by the Issuer to be exclusively reserved for a certain member of the Underwriting Group. The individual member is assigned the responsibility of finding an investor to purchase the bonds and such an order is not subject to the normal priority of order rules spelled out in the Agreement Among Underwriters.

Revenue Bonds - Bonds payable from a specific source of revenue and which do not pledge the full faith and credit of the Issuer. Revenue bonds do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from the operation of the financed project, grants, and excise or other specified non-ad valorem taxes. Generally, no election is required prior to issuance or validation of revenue bonds.

Rule 10b-5 - A regulation of the Securities and Exchange Commission, adopted pursuant to the Securities Exchange Act of 1934, which makes it unlawful for any person to employ any device, scheme, or artifice to defraud; to make any untrue statement of a material fact, or to omit a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

Secondary Market - The market in which bonds are purchased after the delivery date.

Section 202 - Enacted by Congress as part of the Housing Act of 1959 and originally provided direct loans, for the purpose of constructing housing for low-income elderly and the disabled, to non-profits with a 40-year note and mortgage. An amendment in 1990 changed the statute to a grant program and an amendment in 2000 allowed for the refinancing of the original loans issued prior to 1990. Most of the loans are secured by Project Rental Assistance Contracts (PRAC), which are essentially Section 8 Housing Assistance Payment contracts, with an original term of 20-40 years and an expectation of HUD renewal for a term of one to five years.

Section 221(d)(3) and Section 221(d)(4) - Programs under which FHA insures multifamily mortgages, originated by private, HUD-approved lenders, to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for low and moderate income persons. Substantial rehabilitation is more particularly defined as repair costs greater than 15% of the project replacement cost or the replacement of 2 or major components / systems (e.g. roofing, ventilation). The principal difference between the (d)(3) and (d)(4) programs is the amount of insured mortgage available to different types of sponsors. Under 221(d)(3), a nonprofit sponsor may receive an insured mortgage for the full amount of the HUD/FHA estimated replacement cost of the project. Profit motivated sponsors using Section 221(d)(3) and all types of sponsors under Section 221(d)(4) can receive a maximum mortgage of 90 percent of the HUD/FHA replacement cost estimates.

Section 223 (a)(7) - Program under which FHA insures multifamily mortgages in connection with the refinance of projects currently insured by FHA. The term of the new mortgage may not exceed the remaining term of the existing mortgage except in special cases and the maximum mortgage limitation is the lesser of: (1) the original principal amount of the existing insured mortgage; (2) the unpaid principal balance of the existing insured mortgage plus the cost of required repairs, improvements, outstanding debt incurred in connection with capital improvements, prepayment penalties, and loan closing costs; or (3) the amount that can be supported by 90% (95% of owner is non-profit) of net operating income.

Section 223(f) - Program under which FHA insures multifamily mortgages, originated by private, HUD-approved lenders, to facilitate the purchase or refinancing of existing multifamily rental housing that has been completed or substantially rehabilitated for at least 3 years prior to the date of the application for mortgage insurance. The maximum mortgage limitation for a purchase transaction is the lesser of: (1) 85% of acquisition cost; (2) 85% of HUD appraised value; or (3) the amount that can be supported by 85% of net operating income. The maximum mortgage limitation for a refinance transaction is the lesser of (1) the amount that can be supported by 85% of net operating income; (2) 85% of HUD appraised value; or (3) the greater of the cost to refinance or 80% of HUD appraised value.

Section 236 - Program that subsidizes multi-family housing properties through an interest rate reduction on the projects mortgage loan. The Section 236 subsidy is the difference between the monthly payment of a mortgage loan at a stated interest rate and the monthly payment at a rate of 1%, thus giving the owner an extraordinarily low effective mortgage rate of 1%. HUD makes the interest rate reduction payments to the mortgagee or its agent on a monthly basis. That subsidized difference is known as an interest reduction payment (IRP).

Section 538 - Program offered by the United State Department of Agriculture Rural Development (USDA) that guarantees payment of 90% of any losses realized on defaulted multi-family mortgage notes. Bond proceeds are used to fund the mortgage loan from a USDA-qualified lender to the owner of the multi-family housing facility that finances the costs of the facility. In addition to funding the USDA guaranteed mortgage loan bond proceeds may fund debt service reserves and issuance costs that are outside the mortgage loan.

Section 542(c) - Program which enables HUD and State and local housing finance agencies (HFAs) to provide new risk sharing arrangements to help those agencies provide more insurance and credit for multifamily loans. Participating qualified HFAs can assume risk through two different levels of participation. Under level I, an HFA agrees to insure 50%-90% of the loan amount while under Level II an HFA agrees to insure less than 50% of the loan amount. HFAs will often choose to take on a greater amount of risk required by Level I in order to be able to use their own underwriting criteria and establish loan terms without prior HUD approval.

Section 8 - Program established under the U.S. Housing Act that authorized the Department of Housing and Urban Development (HUD) to pay rental subsidies to owners of qualified housing on behalf of eligible tenants. The program was repealed in 1983 under the Housing and Urban-Rural Recovery Act, but the federal subsidy contracts entered into prior to 1983 continue to carry ongoing obligations for the remaining terms of their contracts.

Securities and Exchange Commission (SEC) - The Federal Agency responsible for supervising and regulating the securities industry. Generally, municipal securities are exempt from the SEC's registration and reporting requirements. However, the SEC has responsibility for the approval of Municipal Securities Rulemaking Board rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

Selling Group - A group of bond dealers which the Issuer determines needs to be a part of the group which sells the bonds to investors. Selling Group Members generally cannot be included in Priority Orders and their orders are treated as Member Orders.

Senior Lien Bonds - Bonds which are structured so that they will be repaid with the first funds available prior to all of the debt service requirements of an issue or issues of Junior Lien Bonds.

Senior Manager - The member of the underwriting group primarily responsible for structuring the transaction and marketing the bonds. When there is only one Senior Manager, the Senior Manager is the Book Running Senior Manager. When there is more than one Senior Manager, they are Co-Senior Managers and only one of them is the Book Running Senior Manager.

Serial Bond - A bond which is typically sold as a relatively short maturity and which has a principal payment only paid on its maturity date.

Servicing Agreement - The agreement between the Issuer, the Trustee, and the Lenders which explains the terms under which mortgage loans will be purchased by the Servicer or Master Servicer as well as the responsibilities of the Servicer throughout the life of the mortgage loans.

Servicing Release Premium - The amount of money that the Servicer or Master Servicer will pay for the right to service the mortgage loans.

Sinking Fund Redemption - The principal amount of a term bond which must be repaid on a specific interest payment date.

Special Hazard Insurance - An insurance policy which provides for the physical repair of properties associated with mortgage loans which go into default and are sold through the foreclosure process.

Stand Alone Indenture - A type of Indenture in which each issuance of bonds will be completely independent from all other issues of bonds which the Issuer may have outstanding.

Standby Credit Enhancement Instrument - Enhancement offered by FNMA and Freddie Mac that is only drawn upon when the borrower fails to pay in full the required payment under the mortgage note. Unlike Direct-Pay Credit Enhancement, Standby Credit Enhancement does not directly guarantee debt service payments to bondholders. Instead, FNMA or Freddie Mac covers the mortgage payments in the event of a mortgage payment default, delinquency or recovery of payments upon an event of a bankruptcy.

Step Coupon Bond - A Current Interest Bond in which the interest rate on the bond is typically lower during the Origination Period and then increases at the end of the Origination Period. Step Coupon Bonds are typically used to reduce the cost of Negative Arbitrage during the Origination Period.

Stock Order - A type of Member Order where a firm purchases Bonds for their own account. Stock Orders have the lowest priority and are only filled if there are no Group Net Orders or Priority Orders.

Subordinate Lien Bonds - See Junior Lien Bonds.

Super Sinker - A type of bond which is retired very quickly because all or most of the mortgage loan prepayments are directed to redeem this bond first.

Supplemental Indenture - A document which either changes the provisions of the existing Stand Alone Indenture or which is created to effect the issuance of a new issuance of bonds under a Master Indenture.

Surplus Revenues - Those funds within an Indenture which are available to pay debt service on an interest payment date but are not needed to pay the scheduled debt service.

Swaption - An option that gives the buyer the right, but not the obligation, to enter into an interest rate swap with predetermined underlying specifications at some future date. Swaptions can be either "payer" or "receiver" swaptions. In a "payer" swaption, the buyers pays an upfront premium for the right to enter a swap where it pays a fixed rate in return for receiving payments based on a floating rate from the seller. In a "receiver" swaption, the buyer pays an upfront premium for the right to enter a swap where it receives a fixed rate from the seller in return for making payments based on a floating rate.

Syndicate - A group of underwriters formed to purchase collectively (underwrite) a new bond issue from the Issuer and offer it for resale to the general public. The syndicate is organized for the purposes of sharing the risks of underwriting the issue and for obtaining sufficient capital to purchase an issue. One of the underwriting firms will be designated as the Syndicate Manager or Lead Manager to administer the operations of the Syndicate.

Takedown - The portion of the Underwriter's Fee paid to the members of the Underwriting Group for selling the bonds.

Targeted Area - Census tracts determined to be areas of chronic economic distress pursuant to Section 143(g) of the Federal Tax Law.

Tax Risk - The risk that federal tax law changes affect the federal tax-exemption status of interest rates or that the marginal income tax level decreases. In either case, the value of tax-exemption would decrease. As a result, tax-exempt rates would trade at a higher percentage of taxable rates. The extreme case is that interest is no longer tax-exempt, thereby resulting in rates on previously tax-exempt variable rate debt trading at or higher than interest rates on taxable variable rate debt. Clients who use a fixed rate swap based on 67% of LIBOR to hedge tax-exempt variable rate debt are exposed to tax risk because if the tax-exempt status of the clients' variable rate bonds changes or tax rates decline, the rate that the client must pay on its bonds will likely be higher than the 67% of LIBOR that it receives in the swap. Clients who use BMA-based swaps are NOT exposed to tax risk.

Tax-Exempt Bond - A bond where the interest is exempt from Federal Income Tax.

Taxable Bond - A bond where the interest is not exempt from Federal Income Tax.

Tender Offer - A proposal by the bondholder to sell his bond to the issuer or the issuer's representative for a state price.

Term Bonds - A bond which has scheduled Sinking Fund Redemptions which occur on dates other than the Maturity Date.

Termination Value - The amount that the issuer must pay or receive if it wants to terminate a swap early. This amount is based on the mark-to-market value, but includes the bid-ask spread for the swap provider.

Trade Documentation - Swaps transactions are governed by a package of documents that includes the Master Agreement, the Schedule to the Master, the Credit Support Annex and the Confirmation. a) The Master Agreement is a standardized agreement that formulated by ISDA and adopted by most counterparties in the derivatives market to govern swaps transactions. b) The Schedule to the Master amends the Master with specific terms for Cross-Default thresholds, Events of Default, Credit Events and other issuer-specific terms. c) The Credit Support Annex provides any terms for posting collateral including margin requirements, mark-to-market frequency and collateral thresholds. d) The Confirmation defines the terms of the specific swap transaction. It is prepared following the oral agreement of the terms (this is typically over the telephone and the call is recorded and saved by the provider for several months).

Trust Estate - The mortgage loans, mortgage-backed securities, insurance policies and other assets which are pledged to the repayment of bonds under the terms of the Indenture.

Trustee - The entity which is responsible for the managing the Trust Estate under the terms of the Indenture.

Trustee's Counsel - A lawyer or firm of lawyers which is responsible for looking after the interests of the Trustee.

Underwriter - A Bond Dealer or group of Bond Dealers which the Issuer commissions to find investors to purchase the Issuer's bonds.

Underwriter's Counsel - A lawyer or group of lawyers responsible for looking after the interests of the Underwriter or Underwriting Group.

Underwriter's Expenses - The portion of the Underwriter's Fee which will be utilized to pay the Underwriter's costs of structuring and selling the Issuer's transaction.

Underwriter's Fee - The compensation paid to the underwriting team for structuring and marketing a bond issue. The Underwriter's Fee is sometimes paid as a separate fee or sometimes as a discount on the purchase price paid by the underwriters for the bonds.

Underwriter's Spread - When the Underwriter's Fee is paid in the form of a reduced purchase price on the bonds the fee is called the Underwriter's Spread because the Underwriters make their fee when they sell the bonds to investors at the full price.

Underwriting Team - The group of Underwriters which the Issuer has hired to complete the underwriting of the Issuer's bonds.

Unit Trust - A fixed portfolio of municipal securities sold to investors in "units" that represents an undivided ownership interest in the portfolio. The number of units in a trust is fixed at the time of issuance.

USRD - The Rural Development Service (formerly the Rural Economic and Community Development, and more formerly the Farmer's Home Administration). An agency within the United States Department of Agriculture, or other agency created or chartered by the United States to which the powers of the Rural Development Service have been transferred.

Variable Rate Bonds (or Floating Rate Bonds) - Bonds on which the coupon rate can either change to a non-predetermined rate on a known date or dates, or on which the coupon rate can change to a known rate on an unknown date or dates.

Variable Rate Demand Notes - A type of variable rate bond in which the investor has the right to tender the bonds to the remarketing agent at a price of par. Variable Rate Demand Notes may have this tender right as often as daily or as long as annually.

Verification Report - A report or opinion prepared by a certified public accountant verifying that the monies and securities deposited with a Trustee in connection with bonds are sufficient to pay principal of, any premium on, and interest on such bonds at the time(s) specified in the Bond Indenture or Escrow Agreement.

Veterans Administration (VA) - An agency of the United States of America, or any successors to its functions.

Warehouse Agreement - An agreement in which a third party purchases mortgage loans or mortgage-backed securities and holds them for ultimate sale to the Trustee on a prescribed date. Warehouse Agreements are typically utilized to allow for an Issuer to obtain a higher rate of interest on the Acquisition Fund Investment Agreement, thus reducing negative arbitrage.

Whole Loans - Mortgage loans which are not included in mortgage-backed securities. Whole loans do not have a GNMA, FNMA or FHLMC guaranty.

Yield Burning - The process of blending pools of mortgage loans or mortgage-backed securities at different rates to lower the mortgage yield so that the mortgage loans which secure the bonds will not exceed the 1.125% spread.

Yield Curve - A graph which plots the yields on securities with equivalent quality but different maturities, at a given point in time. The vertical axis represents the interest rates, while the horizontal axis depicts the years to maturity. The term structure interest rate, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations.

Yield Drag - The mathematical result of lowering the overall bond yield by having to blend the bond rates of long- and short-term bonds. Long-term bonds are often associated with short-term bonds in order to create the ability to ultimately issue several series of bonds under a plan which allows bond redemption flexibility or to create the ability to earn investment income on the short-term bonds which the Issuer can keep.

Zero Coupon Bond (or Capital Appreciation Bond) - A type of bond in which the Issuer pays no interest to the investor until the bond's redemption. Interest accrues at the agreed-upon rate and the total dollars which an investor receives upon redemption is based on how long the bond remains outstanding.

1.125% Spread - The maximum difference allowed under Federal Tax Law between the Mortgage Yield and the Bond Yield.

10-Year Rule - A provision added to Federal Tax Law in the Technical and Miscellaneous Revenue Act of 1988 which, for tax-exempt bond issues subject to the Rule, requires that the mortgage loan repayments must be used to redeem the bonds of such an issue after ten years from the date of issuance of the bonds. The effect of the 10-Year Rule is to limit an Issuer's ability to reloan the mortgage loan repayments to new Mortgagors, to limit an Issuer's ability to recycle volume cap by issuing refunding bonds and to limit an Issuer's ability to cross call bonds of a different issue.

100% FHA Prepayment Experience - A method of determining the amount and timing of mortgage loan prepayments throughout

the life of a bond issue. The 100% FHA Prepayment Experience is based on a schedule for mortgage loan prepayments determined by the Department of Housing and Urban Development (last updated in 1991). Mortgage loan prepayments must be calculated utilizing 100% FHA Prepayment Experience when calculating the mortgage yield.

32-Year Rule - A provision added to Federal Tax Law in the Mortgage Subsidy Bond Tax Act which specified that which are issued to refund mortgage revenue bonds cannot have a final maturity date longer than 32 years from the date of issuance of the refunded bonds or longer than the original maturity date of the refunded bonds, whichever date is longer.

42-Month Rule - Federal Tax Law requires that the bond proceeds of a mortgage revenue bond issued must be used to acquire mortgage loans (or mortgage-backed securities) no later than 42 months from the date of issuance of bonds. Bond proceeds not expended by the deadline must be used to redeem all or a portion of the bonds issued to fund the program.

48-Year Rule - Federal Tax Law requires that the tax-exempt bonds used to finance an asset must mature no later than 120% of the life of the asset financed. Since single-family homes are generally thought to have a life of 40 years, the longest maturity date is 48 years from the date of issuance of the bonds. For bonds that were issued prior to the effective date of the Mortgage Subsidy Bond Tax Act (Pre-Ullman Bonds), the Act does not change the longest allowable maturity date for bonds which refund Pre-Ullman bonds.

501(C)(3) - A non-profit organization which is organized under Section 501(C)(3) of the Federal Tax Code.

501(C)(3) Bond - Bonds which are issued by or on behalf of a Section 501(C)(3) non-profit organization. 501(C)(3) Bonds can be used to provide single-family or multi-family housing without the need for Private Activity Volume Cap.

ADDENDUM ADDED BY TALHFA

October 2011

ARCIT – Association of Rural Communities in Texas – With the current 300 members and growing, ARCIT has expanded to working with a multitude of State and Federal agencies and legislative bodies dealing with a myriad of rural policies, issues and programs. ARCIT's 7 year vision includes membership growth to 500 rural cities/counties/EDCs/utility districts in order to be a rural local official resource regarding rural issues, policies and programs at both the state and federal level. Mission Statement - By being a strong voice and resource to government, we promote the policy of best practices in the delivery of public services to enhance the quality of life for all rural Texans. www.arcit.org

BRB – Texas Bond Review Board – To ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes; support and enhance the debt issuance and debt management functions of state and local entities; and administer the state's Private Activity Bond Allocation Program. www.brb.state.tx.us

CAVE People – Citizens Against Virtually Everything

CDBG – Community Development Block Grants - Programs administered by HUD to aid community and economic development, mostly to benefit activities serving low and moderate income persons. There are three types of CDBG's: Entitlement: Grants to entitlement communities, for a wide range of community development programs for neighborhood revitalization, economic development and improved community facilities and services. The communities develop their own programs in consultation with local residents. Non-Entitlement For States and Small Cities: Grants to communities which are too small to be entitlement areas for similar programs. These programs are generally administered by a state agency. Section 108 Loan Guarantee: These are loan guarantees that offer eligible communities financing for housing rehabilitation, economic development and large scale physical development projects.

CHDO – Community Housing Development Organizations - Community based nonprofit entities for which a portion of HOME funds must be set aside.

Difficult to Develop Area (DDA). A DDA is an area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. In the Housing Tax Credit program these areas are eligible for a 130% increase in their tax credit basis.

DWAC – Deposit/Withdrawal at Custodian

FAST – Fully Automated Securities Transfer – A system created by the Depository Trust and Clearing Corporation whereby certificates for registered securities are maintained at the offices of individual registrars and can be transferred to a beneficial owner in a more timely and efficient manner.

FHLMC – Freddie Mac - Federal Home Loan Mortgage Corporate is one of two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the federal government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

FNMA – Fannie Mae - The Federal National Mortgage Association is one of two private corporations whose charger is authorized and guaranteed by (on an annual appropriations basis) the federal government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

GIC – Guaranteed Investment Contract

HOME Program - HOME Investment Partnership Program (HOME) - A housing block grant program authorized by the National Affordable Housing Act of 1990 which provides federal funds which may be used for ownership or rental housing or tenant-based assistance.

LIHTC –Low Income Housing Tax Credit Program - Used by private developers and non-profit entities to construct or rehabilitate affordable rental units. Federal and state tax credits may be used to obtain a dollar-for-dollar reduction income tax liability for 10 years or to obtain equity for a project through syndication of the credits. Syndicators bundle multiple properties in limited partnerships and self interest to investors. Investors receive tax credits, taxable losses (or income) and cash distributions from the underlying investments.

MAC of Texas – Municipal Advisory Council of Texas – The Municipal Advisory of Texas (MAC) is a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code, including specifically “to promote effective and efficient investment banking, underwriting, trading and sales of municipal debt by collecting, maintaining and distributing information relating to issuing entities.” Membership is open to any entity that is authorized to and actively engaged in the business of underwriting or buying and selling municipal debt issued by the State of Texas or its state agencies or political subdivisions and municipalities. The MAC was organized in 1954 and presently has 74 member firms. www.mactexas.com

NALHFA - National Association of Local Housing Finance Agencies – founded in 1982, is the national association of professionals working to finance affordable housing in the broader community development context at the local level. As a non-profit association, NALHFA is an advocate before Congress and federal agencies on legislative and regulatory issues affecting affordable housing and provides technical assistance and educational opportunities to its members and the public. Members are city and county agencies, non-profits, and private firms, such as underwriters, consultants, financial advisors, bond counsels, and rating agencies,

which help in producing housing from concept to completion. www.nalhfa.org

NIBP – New Issue Bond Purchase

NIMBY – Not In My Back Yard

PAB – Private Activity Bond - A bond for which more than 10% of the Bond Proceeds are to be used directly or indirectly in a trade or business carried on by persons other than governmental units, and for which more than 10% of the debt service on the bonds is directly or indirectly secured by a private business. Private Activity Bonds are taxable unless specifically exempted. As used in reference to single family housing issues, Private Activity Bonds refer to Exempted Private Activity Bonds which are Private Activity Bonds for which there is a specific exemption from the normal taxable rule. The Tax Reform Act of 1966 grouped mortgage revenue bonds with all other categories of Exempted Private Activity Bonds and set a cap on the amount of such bonds which could be issued in any one year. As a result of the intense competition for Private Activity Volume Cap, the available supply of tax-exempt bonding authority is significantly exceeded by the demand.

Qualified Census Tract (QCT). A Qualified Census Tract is a census tract that has 1) a poverty rate of at least 25 percent; or 2) 50 percent or more of its householders with incomes below 60 percent of the AMGI. Further, the population of all census tracts that satisfy this criterion may not exceed 20% of the total population of the respective area. In the Housing Tax Credit program these areas are eligible for a 130% increase in their tax credit basis.

RRHA-TX – Rural Rental Housing Association of Texas - a non-profit organization established in 1977 is dedicated to the improvement of the lifestyle of our rural citizenry. In providing safe and affordable housing, both borrower and lender have committed themselves to safeguarding the borrower's investment and maintaining adequate security for the lender. RRHA is, therefore, dedicated to the enhancement of rural multi-family housing through promotion of professionalism of apartment management. www.rrhatx.org

SEC – Securities and Exchange Commission – The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. www.sec.gov

TAAHP – Texas Affiliation of Affordable Housing Providers - TAAHP is the leading organization of affordable housing professionals in the State of Texas representing the affordable housing industry. TAAHP is dedicated to working for laws, policies, regulations and programs that are vital for the development of quality affordable housing for all Texans. TAAHP is a non-profit 501(c)(6) trade association serving affordable housing industry providers. www.taahp.org

TACDC – Texas Association of Community Development Corporations - a trade association, created through the cooperative efforts of its over 150 member organizations throughout the state. The Texas Association of Community Development corporations (TACDC) is a non-profit statewide membership association of Community Development Corporations (CDCs) and related non-profit, government, and for-profit entities engaged in producing affordable housing and community economic development. We advocate for a supportive environment at the local, state, and federal levels on behalf of those that create and preserve homes, jobs, small businesses and other community assets. www.tacdc.org

TALHFA – Texas Association of Local Housing Finance Agencies - a statewide non-profit organization established in 1989 for the purpose of informing, planning and supporting the needs of local housing finance agencies in their delivery of affordable housing in the State of Texas. Currently TALHFA has a membership of over 250 professionals in all areas of affordable housing. TALHFA is the only statewide association specifically focused on LOCAL housing needs and concerns. www.talhfa.org

TDHCA – Texas Department of Housing and Community Affairs – TDHCA's mission is to help Texans achieve an improved quality of life through the development of better communities. The Department accomplishes this mission by acting as a conduit for federal grant funds for housing and community services. However, because several major housing programs require the participation of private investors and private lenders, TDHCA also operates as a housing finance agency. Ensuring program compliance with the many state and federal laws that govern housing programs is another important part of the Department's mission. This ensures the health and safety of TDHCA's housing portfolio and guarantees state and federal resources are expended in an efficient and effective manner. TDHCA also serves as a financial and administrative resource that helps provide essential services and affordable housing opportunities to Texans who qualify for this assistance based on their income level. Additionally, the Department is a resource for educational materials and technical assistance for housing, housing related, and community services matters. www.tdhca.state.tx.us

THOMAS - was launched in January of 1995, at the inception of the 104th Congress. The leadership of the 104th Congress directed the Library of Congress to make federal legislative information freely available to the public. Since that time THOMAS has expanded the scope of its offerings to include the features and content listed below. www.thomas.loc.gov

TSAHC – Texas State Affordable Housing Corporation – a self-supporting, not-for-profit organization and does not receive any state funding for its operations. TSAHC was created by statute in 1994 to be operated exclusively for the promotion of public health, safety and welfare through the provision of safe, decent and affordable housing for low-income Texans and other underserved populations. TSAHC provides a variety of affordable housing programs that range from First-time Homebuyer Programs for individuals and families to assisting in the development of affordable multifamily housing. www.tsahc.org