

2009 HFA Initiative Preliminary Instructions for Processing Transactions

These preliminary instructions for processing transactions under the 2009 HFA Initiative provide information Housing Finance Agencies (HFAs) will need to successfully begin processing transactions through either the New Issue Bond Program (NIBP) and/or Temporary Credit and Liquidity Program (TCLP) (collectively referred to as the Programs).

PLEASE NOTE: *This information is being made available prior to the release of final Treasury allocations under the Programs in order to expedite the collection, preparation and submission of due diligence material. Due diligence materials may be submitted in advance of final Treasury allocations, per the instruction below.*

1. Point of Contact

Each HFA receiving allocation under the NIBP or TCLP will be assigned a GSE business point of contact (POC). The POC will be an employee of either Fannie Mae or Freddie Mac and will provide primary business support to HFAs as transactions under the Programs are processed. The contact information for each POC will be included in the pending e-mail communication from State Street Global Advisors (SSGA) detailing each HFA's individual allocations.

Within 2 business days of receipt of the SSgA allocation e-mail, individually assigned POCs will contact their assigned HFAs by telephone. These calls will be placed to either the primary or secondary HFA contact listed in the Participation Request Form. The goal of this call will be to:

- Provide an initial introduction and verify contact information.
- Verify allocation information and planned executions under the Programs.
- Provide guidance on timing and process for submitting due diligence materials.

In addition to a business POC, an outside counsel (OC) representing the GSEs will be assigned to each HFA. The OC will have primary responsibility for preparing legal documentation relating to transactions allocated under the program. The OCs should be assigned to individual HFAs the week of November 9 and assignments will be communicated through your GSE POC. Once the GSE deal team (POC and OC) has been established, the POC will work with each HFA to schedule a working group conference call with each HFA and their respective counsels.

2. Due Diligence

In order for GSEs to begin processing transactions under the Program, HFAs must submit certain due diligence materials. Those required materials are detailed in the Due Diligence Checklist (Checklist) and Supplemental Due Diligence Spreadsheet (Supplemental Spreadsheet), which have been posted on the trade association websites.

PLEASE NOTE: *The Checklist and Supplemental Spreadsheet are being made available to HFAs prior to the release of final allocations under the Programs in order to expedite the submission of that material. **Please be aware that the GSEs are prepared to accept due diligence submissions in advance of final Treasury allocations.***

All due diligence information on the Checklist and in the Spreadsheet is required in order to begin processing transactions. In order to process all transactions by the Program's deadline of December 31, 2009, all due diligence materials should be received by 5 p.m. Eastern Standard Time on Monday, November 16, 2009.

- **Formatting Due Diligence Files:** In order to manage the large volume of electronic due diligence files being submitted to the GSEs, HFAs will be asked to use specific file naming conventions. Electronic file names should follow the naming conventions outlined in the right-hand column of the Due Diligence Checklist. With the exception of Due Diligence Item 6, 11, and 13 (which should be entered into the Supplemental Spreadsheet), file names should be formatted as follows:

[2 Letter State Abbreviation]-[Issuer Abbreviation]-[Document Reference]-[2 Number Month & Year Abbreviation].

All file names should be in capital letters and all Issuer Abbreviations should be no more than 6 letters. For example, the California Housing Finance Agency would submit its annual audited financial statements for 2008 by naming the electronic file as follows: ***CA-CALHFA-ISSFIN-0608***

- **Formatting Due Diligence E-Mails:** In order to expedite processing, all due diligence materials must be submitted electronically via e-mail to the following address: ***HFA.Initiative@KutakRock.com***. When submitting your due diligence materials electronically by e-mail, please use a unique identifier in the subject line of the e-mail, as described below. Identifiers should be formatted as follows:

HFA Due Diligence-[2 Letter State Abbreviation]-[Issuer Abbreviation].

All file names should be in capital letters and all Issuer Abbreviations should be no more than 6 letters. For example, the California Housing Finance Agency would submit its due diligence via e-mail to ***HFA.Initiative@KutakRock.com*** using ***HFA Due Diligence-CA-CALHFA*** in the subject line of the e-mail.

3. Special Instructions for Multifamily Bonds Under the Multifamily NIBP

Every issuer granted allocation for the issuance of Multifamily bonds under the NIBP must either (i) certify that it has previously financed multifamily assets assuming a primary risk position and that it regularly underwrites, services and asset manages multifamily loans, or (ii) agree that mortgage loans originated using bond proceeds from bonds under the NIBP will be enhanced by FHA, GNMA, Freddie Mac or Fannie Mae.

As a result, issuer participation under the Multifamily NIBP may be limited to the financing of multifamily loans which are credit enhanced by FHA/GNMA or the GSEs. Issuers who traditionally finance multifamily assets as conduit issuers should limit their participation to the Multifamily Credit Enhancement Program or to the listed enhanced mortgages.

4. Conclusion

On behalf of the U.S. Department of the Treasury and the Federal Housing Finance Agency, Fannie Mae and Freddie Mac look forward to working with each HFA to successfully process and close transactions under the Program. The GSE POC and OC should provide you with the necessary resources to facilitate that process. In order to do so, please direct all Program questions through your POC and OC and they will work to provide you with direction on a timely basis.

GSE DUE DILIGENCE CHECKLIST – 2009 HFA INITIATIVE

Transaction Team		File Naming Convention (using California Housing Finance Agency as an example)
1	Working Group Contact List including e-mail, address and phone number for the following: <ul style="list-style-type: none"> • HFA Team (Business and Operations) • Remarketing Agent • Bond Counsel • Bond Trustee • Tender Agent and contact information 	CA-CALHFA-CONTACT
Financial Information		
2	Most recent audited, publicly available HFA Financial Statements.	CA-CALHFA-ISSFIN-MMY
3	Most recent audited, publicly available Indenture Financial Statements, if available.	CA-CALHFA-INDFIN-MMY
4	Most recent unaudited, publicly available HFA Financial Statements, when available.	CA-CALHFA-ISSFINUNA-MMY
5	Most recent unaudited, publicly available Indenture Financial Statements, when available.	CA-CALHFA-INDFINUNA-MMY
6	Summary financial information. <i>See 1st tab of Supplemental Spreadsheet.</i>	CA-CALHFA-SPREAD
7	Most recent quarterly HFA disclosure statements and all disclosure statements reflecting material events or instances where the HFA failed to comply with continuing disclosure obligations.	CA-CALHFA-DISC-MMY
Legal Information		
8	Bond Indenture/Resolutions with amendments related to subject bonds	CA-CALHFA-RESO
9	Latest Bond Offering Statement (One per HFA Multifamily and Single Family program is sufficient)	CA-CALHFA-OS
Portfolio Information/Other		
10	List all existing outstanding VRDBs with names, ratings and exposures for current credit and/or liquidity providers.	CA-CALHFA-VRDBINFO
11	List of CUSIPS for inclusion in the Temporary Credit and Liquidity Program, and current rating agency ratings. <i>See 2nd tab of Supplemental Spreadsheet.</i>	CA-CALHFA-SPREAD
12	Explanations of any regulatory sanctions within the past five years prior to application date, for the program. This should include any IRS sanctions and federal, state or local sanctions (as appropriate).	CA-CALHFA-SANC
13	Summary counterparty information. <i>See 3rd tab of Supplemental Spreadsheet.</i>	CA-CALHFA-SPREAD