Tennessee Housing Development Agency - Board of Directors

Committee and Board Meeting Materials
February 17, 2026

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Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

THDA Board of Directors and Committee Meetings Agendas

Committee Agendas

Tuesday, February 17, 2026 at 10:00am CT

Tennessee Room #2, Tennessee Towers

312 Rosa L. Parks Avenue, 3rd Floor

Nashville, TN 37243

AUDIT & BUDGET COMMITTEE

A. Approval of Audit & Budget Committee Meeting Minutes-November 18, 2025*

B. Committee Item (* items require committee vote)

1. Internal Audit Charter*

Andrew Jackson Building Third Floor

502 Deaderick St. | Nashville, TN 37243

THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

BOND FINANCE COMMITTEE

A. Approval of Bond Finance Committee Meeting Minutes-November 18, 2025*

B. Committee Item (* items require committee vote)

1. Bond Issue 2026-1*

THDA Board of Directors Board Meeting Agenda

(directly following Bond Finance Committee Meeting)

Tuesday, February 17, 2026 at 10:00am CT

TN Room #2, Tennessee Towers

312 Rosa L. Parks Avenue, 3rd Floor

Nashville, TN 37243

A. Board Chair Convening of the Board and Introductory Comments

B. Public Comment Period

C. Executive Director's Report

D. Housing Needs Assessment

E. **Chief Information Officer Update**

Cybersecurity Update

F. **CFO Update**

Financial Status Update

G. **Single Family Business**

Business Update

H. **Multifamily Business**

Business Update

I. **Board Action Items** (* items require board vote)

1. Approval of Minutes from November 18, 2025 meeting*
2. Fiduciary Responsibility of Board Members
3. Bond Issue 2026-1*
4. Additional Line of Credit*
5. Housing Cost Index and Resolution*
6. Housing Choice Voucher Administrative Plan Update*
7. Project-Based Voucher Request for Proposals for Davidson County*
8. 2021 National Housing Trust Fund– Grant Extension – AIM Center Espero & HOME-ARP*
9. 2023 National Housing Trust Fund and the Reservation of Funds – Grant Extension – Highlands Residential Services, Redbud Village*

J. Annex

1. THDA Financial Statement – September 30, 2025
2. THDA Audited Financial Statements – June 30, 2025

Tennessee Housing Development Agency - Board of Directors

Audit & Budget Committee

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Audit & Budget Committee Meeting Agenda

Tuesday, February 17, 2026 at 10:00am CT

TN Room #2, Tennessee Towers

312 Rosa L. Parks Avenue, 3rd Floor

Nashville, TN 37243

A. **Approval of Audit and Budget Committee Meeting Minutes-November 18, 2025***

B. **Committee Item** (* items require committee vote)

   1. Internal Audit Charter

Committee Members:

Treasurer David Lillard (Chair)

Secretary Tre Hargett

Rick Neal

Stephen Dixon

Dan Springer

Micheal Miller

Andrew Jackson Building Third Floor
502 Deaderick St. | Nashville, TN 37243
THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
November 18, 2025

Pursuant to the call of the Chairman, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors (the “Committee”) met on Tuesday, November 18, 2025, at 10:00 AM CT at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa Parks Blvd; Nashville, TN 37243.

The following Committee members were present in person: Secretary of State Tre Hargett (Chair); Rick Neal Treasurer David Lillard; Stephen Dixon; and Micheal Miller.

Recognizing a quorum present, Secretary Hargett called the meeting to order at 10:00 AM CT. For the first order of business, Secretary Hargett called for consideration and approval of the September 23, 2025, Audit & Budget Committee Meeting Minutes. Mr. Neal requested an adjustment be made to amend the previously drafted minutes to more accurately reflect the meeting content. The recommendation by Mr. Neal served as a motion, with a second by Secretary Hargett to approve the revised version of the meeting minutes and following a vote with all members identified as present voting “yes”, the motion carried to approve the September 23, 2025, minutes.

Secretary Hargett recognized Mr. Jason Redd, Director of Internal Audit, to present the Enterprise Risk Management Update. Mr. Redd explained that the Enterprise Risk Management Program serves to ensure that THDA has appropriate internal controls in place. Mr. Redd explained the process includes identification of the risks present within each of the THDA auditable entities, mapping of controls in place to address the identified risks, testing of controls to help determine effectiveness of selected internal controls, and a residual risk rating for each of the controls and auditable entities. Areas showing a high level of residual risk after the consideration of control include: (a) federal compliance; (b) cybersecurity, compromise of sensitive data, and IT project implementation; and (c) vendor risk management. Mr. Redd stated the detailed risk assessment and testing programs are available for review upon request.

Secretary Hargett recognized Mr. Redd to discuss the disclosure analysis reports for THDA Board members and THDA staff. Mr. Redd noted that THDA's enabling legislation, the THDA Conflict of Interest Policy, the Board Disclosure Policy, and the Staff Disclosure Policy require Board members, their representatives, and all THDA staff to annually disclose any direct or indirect involvement in activities that do, or could, involve THDA or THDA programs, including federally funded programs. Mr. Redd explained that Board and staff disclosures were completed electronically and are available for public inspection upon request. Mr. Redd explained that even if no conflict of interest exists, the Code of Conduct applies and Board members and THDA staff should refrain from any activity that would give the appearance of impropriety or a conflict of interest. Upon completion of the presentation by Mr. Redd, Secretary Hargett indicated no Committee action is required.

Secretary Hargett recognized Michell Bosch, Chief Financial Officer, to present the THDA Five-Year Strategic Financial Plan. Ms. Bosch stated the objective of the Five-Year Strategic Financial Plan is to effectively balance the use of financial resources to fund mortgage programs and other initiatives that fulfill THDA's statutory purpose without compromising financial stability and sustainability. Ms. Bosch described the assumptions used in the plan and provided charts showing detail related to sources and uses of funds, homeownership execution, allocation of costs to resolutions, and bond issuance and balances. Upon motion by Secretary Hargett, second by Treasurer Lillard, and following a vote with all members identified as present voting "yes", the motion carried to approve the Five-Year Strategic Financial Plan.

There being no further business, Secretary Hargett adjourned the meeting at 10:10 AM CT.

Respectfully submitted,

Jason Redd
Director of Internal Audit
Approved this 23th day of January, 2026.

Internal Audit Charter for Tennessee Housing Development Agency (THDA)

Purpose

The purpose of the internal audit function is to strengthen THDA's ability to create, protect, and sustain value by providing the Audit and Budget Committee of THDA's Board of Directors (ABC) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances THDA's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

THDA's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the ABC.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

THDA's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive (Director of Internal Audit) will report periodically to the ABC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

THDA's ABC grants the internal audit function the mandate to provide the Board and senior management with timely, independent, objective assurance and consulting services designed to enhance internal controls and improve THDA operations through relevant recommendations. The Internal Audit division brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes to assist THDA in accomplishing its objectives.

Authority

THDA's internal audit function mandate is found in TCA 13-23-112 (h) which states

(1)

(A) There is hereby created an audit and budget committee of the agency, which shall be composed of the following:

(i) The chair of the agency;

(ii) The vice chair of the agency;

(iii) The state treasurer;

(iv) The secretary of state; and

(v) Two (2) members appointed annually by the chair from among the appointed members of the board.

(B) The state treasurer shall serve as chair of the audit and budget committee in even years and the secretary of state shall serve as chair of the audit and budget committee in odd years beginning in 2013, and alternating thereafter.

(C) The agency's director of internal audit shall serve as the secretary for the committee. The agency's director of internal audit shall serve at the pleasure of the committee. The committee has the authority to employ, terminate and establish the salary of the director of internal audit.

(2) Three (3) or more members of the audit and budget committee shall constitute a quorum and the concurring vote of three (3) members shall be required for the approval of matters coming before the committee. Written minutes of all meetings shall be prepared by the secretary and kept on file, open to public inspection. The audit and budget

committee shall be charged with the responsibility of monitoring agency financial and programmatic controls, including potential conflicts of interest of agency members and staff. To carry out these responsibilities, the committee shall review reports from the agency internal audit staff and shall review agency financial and programmatic controls at least annually, and shall review and submit the annual agency budget to the bond finance committee and the board.

The internal audit function's authority is created by its direct reporting relationship to the ABC of THDA's Board of Directors and ABC's Charter Responsibilities (Item 23). Such authority allows for unrestricted access to the Board.

The ABC authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of THDA and other specialized services from within or outside THDA to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.)

The chief audit executive will report functionally to the ABC and administratively (for example, day-to-day operations) to the Executive Director. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the ABC, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the ABC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, the ABC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

To establish, maintain, and ensure that THDA's internal audit function has sufficient authority to fulfill its duties, the ABC will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Board, including in meetings with the ABC without senior management present.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.

- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with the chief audit executive to consider changes affecting the organization.
- Approve the risk-based internal audit plan.
- Approve decisions regarding the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Perform an annual review of the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

<u>Ethics and Professionalism</u>

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.

- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for THDA or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any THDA employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually to the chief audit executive and/or Chief Legal Counsel.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the ABC and senior management. Discuss the plan with the ABC and senior management and submit the plan to the ABC for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the ABC and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in THDA's business, risks, operations, programs, systems, and controls.
- Communicate with the ABC and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the ABC and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact THDA and communicate to the ABC and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to THDA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards.

Any such conflicts will be resolved or documented and communicated to the ABC and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the ABC.

Communication with the ABC and Senior Management

The chief audit executive will report periodically to the ABC and senior management regarding:

- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the ABC that could interfere with the achievement of THDA's strategic objectives.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond THDA's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the ABC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside THDA; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of THDA's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the ABC and management on the adequacy and effectiveness of governance, risk management, and control processes for THDA.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include:

- Audits/Reviews are assurance services that provide an independent examination of information on governance, risk management, and control processes for THDA. Examples include financial, performance, compliance, systems security and due diligence engagements.

- Consulting services add value and enhance THDA's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include limited review, recommendations (advice), and training.

- Investigations are independent assessments of allegations involving misuse of assets, fraud, financial irregularities, significant control weaknesses and unethical behavior or activities.

Approved by the Audit and Budget Committee at its meeting on January 27, 2026.

Acknowledgments/Signatures

___________________________________ __________________

Chief Audit Executive (Director of Internal Audit) Date

___________________________________ __________________

Chair, THDA Audit and Budget Committee Date

___________________________________ __________________

Chair, THDA Board of Directors Date

Bond Finance Committee

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

Bond Finance Committee Meeting Agenda

Tuesday, February 17, 2026 at 10:00am CT

Tennessee Room #2, Tennessee Towers

312 Rosa L. Parks Avenue, 3rd Floor

Nashville, TN 37243

A. **Approval of Bond Finance Committee Meeting Minutes-November 18, 2025***

B. **Committee Item** (* items require committee vote)

   1. Bond Issue 2026-1*

Andrew Jackson Building Third Floor
502 Deaderick St. | Nashville, TN 37243
THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

<u>Committee Members:</u>

Rick Neal (Chair)

Commissioner Jim Bryson

Secretary Tre Hargett

Treasurer David Lillard

Comptroller Jason Mumpower

TENNESSEE HOUSING DEVELOPMENT AGENCY

BOND FINANCE COMMITTEE

November 18, 2025

Pursuant to the call of the Chair, the Bond Finance Committee of the Tennessee Housing Development Agency (“THDA”) Board of Directors (the “Committee”) met on Tuesday, November 18, 2025, at 10:10 AM CT at the William R. Snodgrass Tennessee Tower, Nashville Room, 312 Rosa L. Parks Ave; Nashville, TN 37243.

The following Committee members were present in person: Rick Neal (Chair); Treasurer David Lillard; Secretary Tre Hargett; Katie Armstrong (for Comptroller Jason Mumpower); and Alex Schuhmann (for Commissioner Jim Bryson). Other Board Members present were: Hancen Sale; Stephen Dixon; Eva Romero; Rob Mitchell; Corey Divel; and Micheal Miller.

Recognizing a quorum present, Chair Neal called the meeting to order at 10:07 AM CT. For the first order of business, Chair Neal called for the consideration and approval of the September 23, 2025, Committee meeting minutes. Upon motion by Treasurer Lillard, second by Ms. Armstrong, and following a vote with all members identified as present voting “yes”, the motion carried to approve the September 23, 2025, minutes.

Chair Neal indicated the next item for consideration was the appointment of an Assistant Secretary for the committee as presented by Bruce Balcom, Chief Legal Counsel. Upon motion by Mr. Neal, seconded by Ms. Armstrong and a vote with all members identified as present voting “yes”, the motion carried to recommend approval of Kayla Carr, Director of the Division of State Government Finance, as the Assistant Secretary to the Bond Finance Committee.

Chair Neal indicated the last item for consideration was the amendment to the Authorizing Resolution for Bond Issue 2025-3 and the approval of the Amended Plan of Financing. Bruce Balcom, THDA Chief Legal Counsel, described the documents to be considered and explained how after the initial process RBC Capital Markets approached THDA with an opportunity to do a private sale which includes an expedited process and overall savings of at least $160,000. There being no further questions, Chair Neal called for a motion to approve the amendment to Bond Issue 2025-3. Upon motion by Secretary Hargett, second by Mr. Schuhmann and a vote with all members identified as present voting “yes”, the motion carried to amend the Authorizing Resolution and approve the amended plan of financing.

There being no further business, Chair Neal adjourned the meeting at 10:15 AM CT.

Respectfully submitted,

Kayla Carr,

Assistant Secretary

Approved this 27th day of January, 2026

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee | | **Ralph M. Perrey**
Governor | | **Executive Director**

MEMORANDUM

TO: THDA Bond Finance Committee, THDA Board of Directors

FROM: Bruce Balcom, Chief Legal Counsel

SUBJECT: Approval of Issue 2026-1

DATE: January 12, 2026

Recommendation

Approval of the Plan of Financing by the Bond Finance Committee, with recommendation to the Board to approve, and subsequent Board approval, of the Authorizing Resolution, including the form of the Supplemental Resolution, and the Reimbursement Resolution.

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502 Deaderick St. | Nashville, TN 37243

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Key Points

Pricing will occur in late April of 2026. Closing is anticipated in late May. This issue is anticipated to refund the COB ($104,000,000) as well as provide new money to fund the purchase of loans.

Background

Attached please find the following documents in connection with the requested authorization of the THDA bond issue, Issue 2026-1:

1. Memos from CSG Advisors Incorporated ("CSG") recommending authorization in the maximum principal amount of $300,000,000 for a bond issue under the General Residential Finance Program Bond Resolution adopted in 2013. Staff expects this bond issue to be priced in late April 2026 and closed not later than September 30, 2026. The final size and structure will be determined by the Authorized Officer.

2. THDA Plan of Financing for Issue 2026-1 Residential Finance Program Bonds, which the Bond Finance Committee will be asked to approve.

3. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2026-1, that includes the form of Supplemental Resolution for Issue 2026-1 and that

authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions. The Bond Finance Committee will be asked to recommend this resolution and the transaction to the THDA Board of Directors.

4. Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2026-1 in an amount not to exceed $100,000,000. The Bond Finance Committee will be asked to recommend this resolution to the Board of Directors.

COMPLIANCE WITH THDA DEBT MANAGEMENT POLICY

Issue 2026-1 complies with the Tennessee Housing Development Agency Debt Management Policy adopted on November 28, 2011, as amended (the “Debt Management Policy”). In particular, Issue 2026-1 complies with the Debt Management Policy as follows:

Part III - by allowing THDA “…to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA’s overall financial strength and flexibility…”

Part VIII - the issuance of this debt will not cause THDA to exceed the statutory debt limit contained in TCA Section 13-23-121.

Part X - the factors and items listed to be considered in planning, structuring and executing a bond issue have been and will be considered as planning, structuring and executing this bond issue moves forward.

Part XIV - serial bonds, terms bonds, convertible option bonds and PAC bonds are being considered for the structure of the bond issue.

Parts XV – authorization of a potential refunding component is expected to result in present value savings and/or preserve volume cap and will further THDA program objectives of providing competitive, fixed interest rate mortgage loans that benefit low and moderate income families.

Parts XVIII, XIX, XX and XXI are not applicable as authorization requested for Issue 2026-1 does not include interest rate and forward purchase agreements, conduit debt, or variable rate debt.

CSG | ADVISORS

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MEMORANDUM

TO: THDA Bond Finance Committee, Division of State Government Finance, and THDA

FROM: David Jones, Eric Olson, and Joanie Monaghan

SUBJECT: Underwriter Recommendation
Residential Finance Program Bonds, Issue 2026-1

DATE: January 7, 2026

Background

In January 2018, THDA's Bond Finance Committee selected an underwriting team consisting of co-senior managers Citigroup, Raymond James, and RBC; co-managers JP Morgan and Wells Fargo, with a third co-manager position to be filled by a selling group member based on performance on THDA's Issue 2025-2 bond issue. In October 2020, the Bond Finance Committee extended the term of the existing team. In December 2023, Citigroup announced its exit from the municipal bond underwriting business, effectively ending its position as a senior manager to THDA. The underwriting team described above (excluding Citigroup) is expected to be utilized for Issue 2026-1.

The purpose of this memo is to recommend firms to serve on THDA's Issue 2026-1 as:

1. book-running senior manager; and
2. elevated selling group member.

1. Book-Running Senior Manager

Table 1 shows the firms that served as book-running senior managers on THDA's recent public bond issues. (Issue 2025-3 was a privately placed issue with RBC Capital Markets for THDA's convertible option bonds, to be refunded or remarketed by June 2026.)

TABLE 1: BOOK-RUNNING SENIOR MANAGERS, RECENT PUBLICLY SOLD BOND ISSUES

Bond Issue	Par Amount of Bonds Issued	Book-Running Senior Manager
2025-2	160,000,000	Raymond James
2025-1	250,000,000	RBC Capital Markets
2024-3	255,525,000	Raymond James
2024-2	255,000,000	RBC Capital Markets
2024-1	270,000,000	Raymond James
2023-3	360,000,000	Citigroup
2023-2	235,000,000	RBC Capital Markets
2023-1	140,000,000	Raymond James

Rather than select the book-running senior manager based on a fixed rotation, following the 2018 underwriter selection by the Bond Finance Committee, the book-running senior manager is selected from among the two firms who did not serve as the senior book-running manager on the last bond issue, based on criteria as determined by the Bond Finance Committee in consultation with the Comptroller's Office and CSG. As always, the Bond Finance Committee reserves the right to adjust the rotation or the factors to be considered at any time and for any reason. Measures of a senior manager's performance include, but are not limited to, the following:

- Bond distribution performance,
- Pricing aggressiveness,
- Ultimate execution of the sale,
- Flexibility,
- Ability to attract new investors,
- Secondary market support,
- Idea generation,
- Syndicate management,
- Willingness to underwrite unsold bonds,
- Offering of additional credit resources (lines of credit, etc.)

Issue 2025-3 was structured as a short-term, non-AMT convertible option bond issuance and sold via private placement with RBC Capital Markets, rather than as a publicly offered negotiated sale. As such, Issue 2025-3 did not involve the traditional underwriting syndicate, retail distribution, or public pricing process, nor did RBC receive the usual underwriter compensation associated with a public sale of bonds. As such, Issue 2025-3 is not considered part of THDA's standard senior manager rotation for publicly offered bond issues. Accordingly, underwriting performance for purposes of selecting the book-running senior manager for Issue 2026-1 is evaluated based on THDA's most recent publicly sold bond issue, Issue 2025-2.

RBC Capital Markets continues to perform very well when selected as the book-running senior manager. When senior managing prior issues, the firm has shown a willingness to work the order book diligently, price bonds aggressively, and underwrite unsold bonds when necessary. On their last sales for THDA, Issue 2025-1 and 2024-2, the result was a solid book of both retail and institutional orders such that THDA ended with strong pricings. RBC continues to successfully manage and achieve good pricing results on single family bond transactions for other housing finance agencies, the latest being North Dakota on December 3rd, as well as New Mexico, Washington State, Maryland, and Oklahoma in November.

<u>In view of their continued performance on THDA's most recent publicly offered bond issues, we recommend that RBC Capital Markets serve as book-running senior manager for Issue 2026-1.</u>

2. Elevated Selling Group Member

The following table shows the retail performance of each selling group member for the non-AMT Issue 2025-2A, including Wiley Brothers, which acted as the third co-manager.

Because Issue 2025-3 was executed as a privately placed transaction and did not include a selling group, the recommendation below is based on retail order and allotment performance from THDA's most recent publicly offered bond issue, Issue 2025-2.

TABLE 2: RETAIL ORDERS AND ALLOTMENTS BY MEMBER: ISSUE 2025-2A

Selling Group Member	Retail Orders	Final Allotments
Wiley Brothers – Aintree	$ -	$ -
Fidelity	9,670	5,310
RW Baird	2,570	2,195
Bancroft	100	100
FHN Financial	300	300
Fifth Third	-	-
Duncan Williams	100	-
Total	**$ 12,740**	**$ 7,905**

Excluding member orders. There were $1-2 million of taxable Issue 2025-2B orders from the selling group, but no bonds were allotted given lack of retail priority.

<u>Based on final retail allotments and performance on Issue 2025-2, we recommend Fidelity be named the selling group member elevated to co-manager for THDA's Issue 2026-1</u>.

A summary of the orders and final allotments for each of the last three bond issues is provided as Exhibit A.

EXHIBIT A: SUMMARY OF FINAL ORDERS AND ALLOTMENTS,

LAST THREE PUBLICLY OFFERED BOND ISSUES

THDA UNDERWRITER PERFORMANCE SUMMARY -- 2024-3, 2025-1, and 2025-2 ($ thousands)

	2024-3 (RJ lead, Baird co) 255,525		2025-1A (RBC lead, Baird co) 200,000		2025-2 (RJ lead, Wiley co) 160,000		Combined 2024-3 to 2025-2 615,525	
	Orders	Allot-ments	Orders	Allot-ments	Orders	Allot-ments	Orders	Allotments
Raymond James								
Tennessee Retail	1,145	1,035	3,230	2,540	21,450	13,690	25,825	17,265
National Retail	3,230	3,230	2,330	860	18,495	7,585	24,055	11,675
Net Designated	143,770	26,025	0	0	452,590	126,480	596,360	152,505
Member	1,263,105	220,885	30,000	0	0	0	1,293,105	220,885
Total	1,411,250	251,175	35,560	3,400	492,535	147,755	1,939,345	402,330
RBC Capital Markets								
Tennessee Retail	0	0	16,515	11,475	0	0	16,515	11,475
National Retail	25	25	41,410	10,110	1,755	1,390	43,190	11,525
Net Designated	0	0	1,017,705	146,785	0	0	1,017,705	146,785
Member	10,000	0	500	0	39,865	0	50,365	0
Total	10,025	25	1,076,130	168,370	41,620	1,390	1,127,775	169,785
J.P. Morgan								
Tennessee Retail	0	0	450	450	175	175	625	625
National Retail	380	15	7,265	3,795	1,635	1,160	9,280	4,970
Net Designated	0	0	0	0	1,010	270	1,010	270
Member	7,000	0	10,000	0	15,000	0	32,000	0
Total	7,380	15	17,715	4,245	17,820	1,605	42,915	5,865
Wells Fargo								
Tennessee Retail	0	0	250	250	0	0	250	250
National Retail	0	0	3,275	1,500	1,960	1,100	5,235	2,600
Net Designated	0	0	2,000	195	1,030	0	3,030	195
Member	0	0	33,000	0	12,945	0	45,945	0
Total	0	0	38,525	1,945	15,935	1,100	54,460	3,045
Robert W. Baird & Co.								
Tennessee Retail	525	470	4,580	2,915	2,000	2,000	7,105	5,385
National Retail	0	0	645	320	570	195	1,215	515
Member	2,000	0	13,000	0	0	0	15,000	0
Total	2,525	470	18,225	3,235	2,570	2,195	23,320	5,900
Bancroft								
Tennessee Retail	50	50	0	0	0	0	50	50
National Retail	0	0	1,450	710	100	100	1,550	810
Net Designated	0	0	0	0	0	0	0	0
Member	0	0	0	0	0	0	0	0
Total	50	50	1,450	710	100	100	1,600	860
SouthState/Duncan-Williams								
Tennessee Retail	0	0	1,000	540	0	0	1,000	540
National Retail	0	0	900	250	665	0	1,565	250
Net Designated	0	0	0	0	0	0	0	0
Member	0	0	0	0	5,000	0	5,000	0
Total	0	0	1,900	790	5,665	0	7,565	790
Fidelity								
Tennessee Retail	210	165	1,570	1,385	1,695	910	3,475	2,460
National Retail	2,350	2,125	13,940	5,700	9,360	4,400	25,650	12,225
Net Designated	0	0	0	0	0	0	0	0
Member	0	0	0	0	0	0	0	0
Total	2,560	2,290	15,510	7,085	11,055	5,310	29,125	14,685
FHN Financial								
Tennessee Retail	0	0	600	600	300	300	900	900
National Retail	0	0	0	0	0	0	0	0
Net Designated	0	0	0	0	0	0	0	0
Member	0	0	10,000	0	5,000	0	15,000	0
Total	0	0	10,600	600	5,300	300	15,900	900
Wiley Bros-Aintree								
Tennessee Retail	0	0	11,650	9,325	0	0	11,650	9,325
National Retail	0	0	0	0	385	0	385	0
Net Designated	0	0	0	0	0	0	0	0
Member	0	0	0	0	0	0	0	0
Total	0	0	11,650	9,325	385	0	12,035	9,325
TOTAL								
Tennessee Retail	1,930	1,720	39,845	29,480	25,620	17,075	67,395	48,275
National Retail	5,985	5,395	71,215	23,245	34,925	15,930	112,125	44,570
Net Designated	143,770	26,025	1,019,705	146,980	454,630	126,750	1,618,105	299,755
Member	1,282,105	220,885	96,500	0	77,810	0	1,456,415	220,885
Total	1,433,790	254,025	1,227,265	199,705	592,985	159,755	3,254,040	613,485

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MEMORANDUM

TO: THDA Board of Directors and THDA Bond Finance Committee

FROM: David Jones, Eric Olson, and Joanie Monaghan

SUBJECT: Bond Issue Authorization Recommendation

RE: Residential Finance Program Bonds, Issue 2026-1

DATE: January 7, 2026

Executive Summary

- CSG recommends that the THDA Board of Directors and THDA Bond Finance Committee authorize up to $300 million of Issue 2026-1 bonds under the Residential Housing Finance Program Bond Resolution to fund THDA's qualified mortgage loan pipeline. The exact issue size will be evaluated closer to the bond sale date based on THDA's mortgage pipeline, TBA sales levels, and interest rates at the time.

- THDA is currently committing loans against Issue 2025-2, which is expected to be fully committed by April or May.

- Issue 2026-1, if authorized, is expected to close by mid-June and would (a) refund the $104 million Issue 2025-3 Convertible Option Bonds and (b) fund a portion of THDA's qualified loan production, as further described herein.

Background

On September 18, THDA closed its $160 million Residential Finance Program Bonds, Issue 2025-2 (Non-AMT/Federally Taxable). THDA currently has over $63 million rate-locked against the Issue 2025-2 proceeds, and is projected to fully commit the proceeds by April or May. In addition, to preserve tax-exempt private activity bond cap that would have otherwise expired at the end of 2025, THDA closed its $104 million Issue 2025-3 short-term Convertible Option Bond financing on December 17th with the expectation of converting or refunding those bonds when new tax-exempt bond proceeds were needed and no later than June 16.

Once the Issue 2025-2 proceeds are fully originated, THDA would purchase certain mortgage loans using available THDA funds, expecting that such advances will be reimbursed with proceeds of Issue 2026-1. Based on current projections, staff expects THDA has sufficient available funds on hand to continue purchasing mortgage loans through the anticipated closing of Issue 2026-1, assuming a closing no later than mid-June.

Proposed Sizing

The proposed not-to-exceed par amount of Issue 2026-1 is $300 million, however, the appropriate size is highly dependent on what portion of newly-originated loans THDA chooses to hold on its balance sheet and fund with bond proceeds vs. selling the loans in the TBA market. As THDA is currently focused on managing its debt level and funding more of its production through TBA sales, THDA expects less bond issuance than in recent years. Although the final size of Issue 2026-1 may be smaller, having the option to issue up to $300 million preserves flexibility and helps ensure THDA's mortgage pipeline can be funded without interruption through summer, even if TBA sales are less than currently expected.

Other factors that affect the size of the issue include actual and projected THDA mortgage loan demand, interest rates, and the expected level of any negative reinvestment costs (the cost of investing bond proceeds at lower interest rates than the bond interest rate before the proceeds can be used to purchase mortgage loans). THDA and its financing team will evaluate these factors closer to the time of the bond pricing to determine the optimal transaction size within the proposed $300 million not-to-exceed par amount.

Loan Funding

With the transition to funding a greater portion of loan production through TBA sales, THDA plans to focus bond funding on loans with higher levels of borrower subsidy. For example, it is expected that Homeownership for Heroes program loans and New Start program loans will be funded with bond proceeds, while most Great Choice program loans will be targeted for TBA sales. In addition, Issue 2026-1 is proposed to fund second mortgage down payment assistance loans, as THDA has done since Issue 2024-1. This helps preserve liquidity at a modest cost to the yield spread of the bond issue.

Refunding of Issue 2025-3 Convertible Option Bonds

THDA has until June 16 to convert or refund its $104,000,000 of Issue 2025-3 Convertible Option Bonds. These bonds have already achieved THDA's primary objective of preserving private activity bond volume cap that would have otherwise expired at the end of 2025.

We recommend using Issue 2026-1 to refund the 2025-3 Convertible Option Bonds, rather than converting the COBs through a remarketing into a series of serial and term bonds with a conventional maturity structure. A refunding of the COBs provides greater structuring flexibility than a remarketing, as well as a new tax plan separate from the COB, both of which provide advantages to THDA.

Potential Economic Refunding of Prior Bonds

Some of THDA's prior bond issues are now optionally redeemable at par on any date, including those from Housing Finance Program Bond Issue 2015-A and Residential Finance Program Bonds Issues 2013-1 through 2016-3. These bonds may be refunded by Issue 2026-1 under a common plan of finance with the "new money" portion of the Issue 2026-1 transaction. However, the interest rates on the outstanding bonds are low – almost all at or below 4% – and refunding these prior issues at current bond rates would not have a significant economic benefit. We will continue to monitor market conditions to see if bond rates come down enough to make a refunding economically attractive.

Tax Status

Issue 2026-1 is proposed to be structured as tax-exempt non-AMT bonds. This 100% tax-exempt structure will provide lower borrowing costs than the tax-exempt/taxable blended structures that THDA has been using in recent years to minimize volume cap usage. With lower tax-exempt bond issuance levels expected in 2026 and the preservation of $104 million of cap through the Issue 2025-3 Convertible Option Bonds, there is less value to reducing volume cap usage.

Planned Amortization Class Bonds

Based on current market conditions and investor appetite, structuring Issue 2026-1 to include planned amortization class bonds ("PACs") to be sold at a premium would significantly lower the issue's bond yield. PACs are typically priced at a premium and most frequently designed with an expected five-year or six-year average life, assuming future prepayment speeds over a broad range. Prepayments up to either 75% or 100% PSA would be directed first to redeeming the PACs until they are completely retired. Due to the projected short and stable average life and the high coupon on the PACs, institutional investors accept much lower yields than for conventional term bonds with the same maturity.

A possible concern with the use of PACs is that actual prepayments could occur at a sustained speed slower than originally expected, causing the PACs to remain outstanding longer than projected and potentially extending the period during which THDA would pay the high coupon on these bonds. However, THDA's average historical prepayment speeds have typically exceeded 125% to 150% PSA, and more recently have resulted in such speeds, though in recent years, prepayment speeds on lower rate loans have dipped closer to and in some issues, below 75% PSA. If actual sustained prepayment speeds are less than the minimum used in originally structuring the PACs, THDA has the flexibility to choose to redeem the PACs up to the originally anticipated amounts with other available funds to maintain the short average life of the PACs, subject to the availability of liquidity to make such redemptions.

Preliminary Structuring Analysis

A preliminary bond structure is shown in Exhibit A and summarized below. It reflects $150 million in long-term bonds for qualified loans. The assumed loan mix includes approximately $93 million of Great Choice loans, $40 million of Homeownership for Heroes loans, $12 million of amortizing DPA loans with payment, $3 million of deferred 0% DPA loans, and $2.5 million of 0% New Start loans. The analysis assumes current bond rates, as well as THDA's current mortgage loan rates for Great Choice at 6.25% and Homeownership for Heroes at 5.75%.

The preliminary structure assumes 100% tax-exempt bonds. Under this structure, the tax-exempt yield spread is 1.409%. $7.07 million of zero participation loans could be created to bring the issue down to the maximum allowable 1.125% yield spread. Alternatively, THDA could elect to lower its mortgage lending rates by approximately 0.30% and/or provide more bond funding of deferred 0% DPA loans.

As the financing is developed, production needs will be refined, and as the proposed pricing date approaches, CSG will continue to evaluate the benefits of including PACs and other premium or discount bonds to assess if further refinement of the structure could offer improvement in the pricing of Issue 2026-1. Issuing the Bonds under the 2013 General Resolution avoids a state moral obligation pledge on the bonds.

Zero Participation Loans

THDA has approximately $75.8 million in zero participations from prior bond issues that can be used to subsidize future bond issues, including Issue 2026-1. These mitigate the risk of higher bond rates on future transactions. However, THDA has been planning to reduce its zero pool. As noted in the prior section, at current THDA lending rates and market bond rates, Issue 2026-1 would likely increase rather than decrease the zero pool. To avoid this, lower mortgage rates and/or greater amounts of bond-funded deferred 0% DPA loans (or 0% New Start loans) would be needed.

Method of Sale

In the current market for housing bonds THDA will continue to benefit from offering its bonds via negotiated sale, rather than by competitive bid. Factors favoring a negotiated sale include:

<u>Retail Sales / In-State Selling Group</u> – THDA has enjoyed strong demand for its bonds among Tennessee retail investors with retail buyers often helping to set prices for institutions. Underwriting syndicate members with strong in-state marketing and distribution networks for bonds to retail investors have been an important component of support for THDA's issues. Bonds not subject to the AMT have been and are expected to continue to appeal to retail investors. The presence of selling group members, who only earn a fee on bonds they sell, helps assure that competitive forces work in THDA's interest during a negotiated sale. When housing bonds are sold via competitive bid, the winning bidder has little time or incentive to market bonds to retail investors or to involve smaller Tennessee-based broker-dealers. THDA's practice of elevating a top-performing member of the selling group to co-manager status on the next offering has reinforced retail support.

<u>Market Volatility</u> – A competitively bid bond issue requires that the timing and, to a significant extent, the final bond structure be established well in advance of the bid date. Continued market volatility makes it unlikely THDA could structure its bonds to obtain the lowest possible cost of debt in advance of pricing. A negotiated sale provides flexibility to price on shorter notice, to adjust the bond structure through the pricing period in response to market factors and investor indications, or to delay or accelerate the pricing as conditions warrant.

<u>Complexity and Credit</u> – While investors are familiar with bonds issued by housing finance agencies, a negotiated sale provides greater opportunity to communicate with investors about the more complex structure, program experience, and the credit features of THDA's bonds.

<u>Bond Structure</u> – Though Issue 2026-1 is expected to be relatively straightforward for a traditional housing bond, it may be desirable to make changes to the structure close to the time of the bond sale in order to cater to the interests of certain investors, such as those interested in the PACs, to add additional maturities or features, or to use bonds priced at a premium or discount (such as lockout premium serial bonds). A negotiated sale facilitates greater flexibility to make structural changes, as reflected in a number of THDA's offerings in which negotiated long-dated serial bonds allowed THDA to realize savings versus the higher cost of an intermediate term bond.

<u>Pricing Oversight</u> – THDA's policies and practices for negotiated bond sales – including the review of co-manager price views, consensus scales, comparable pricings, historic and current spreads, other current market data, and concurrent monitoring by the Division of State Government Finance and CSG – provide THDA with the basis for confirming that its bonds are priced fairly at time of sale. In advance of the offering CSG also provides a pre-pricing memo with information related to general bond market conditions, the housing bond market, and projected interest rate levels based on recent housing bond issues, previous THDA offerings, and pending statistical releases. To manage incentives for the syndicate members and

investors, CSG also advises on syndicate rules and procedures, proposed holdbacks of specific maturities, and allotments of bonds.

Recommendations

CSG Advisors recommends that the THDA Board of Directors and THDA Bond Finance Committee:

- Authorize the sale and issuance of Residential Finance Program Bonds, Issue 2026-1, with a par amount not to exceed $300 million;
- Delegate to the Authorizing Officer authority to:
  - Establish the principal amount of Issue 2026-1;
  - Establish the structure, sub-series and pricing schedule of Issue 2026-1;
  - Approve fixed-rate serial and term bonds in any combination with maturities no longer than 32 years; and
  - Refund any combination of bonds that are optionally callable, including the Issue 2025-3 Convertible Option Bonds, based upon projected benefits under market conditions at the time of sale.
- Based on current market conditions and for the reasons described above, authorize Issue 2026-1 via a negotiated sale; and
- Select RBC Capital Markets to serve as book-running senior manager for Issue 2026-1, in view of the continuing value and strong execution they have provided as a member of THDA's underwriting syndicate. (See our Underwriter Recommendation Memo for additional information.)

EXHIBIT A:
PRELIMINARY STRUCTURING ANALYSIS

EXHIBIT A: PRELIMINARY BOND STRUCTURE

Tennessee Housing Development Agency Issue 2026-1
As of 1/6/26, for Bond Authorization Recommendation Memo

		100% Tax-Exempt	
Bond Series and Amounts			
New Money	Non-AMT	46,000,000	*31%*
Refunding of Issue 2025-3 COB	Non-AMT	104,000,000	*69%*
Total		150,000,000	*100%*
Bond Structure			
Non-AMT	Coupon / Yield		
Serials	2.900% - 3.950%	29,725,000	*20%*
7/1/41 Term	4.250%	9,715,000	*6%*
7/1/46 Term	4.750%	19,405,000	*13%*
7/1/51 Term	4.950%	24,650,000	*16%*
7/1/56 Term	5.000%	31,505,000	*21%*
1/1/57 PAC Term	6.00% / 3.47%	35,000,000	*23%*
Total		150,000,000	*100%*
Yields If No Loan Participations In or Out			
Tax-Exempt			
Mortgage Yield		5.921%	
Bond Yield		4.512%	
Tax-Exempt Yield Spread		1.409%	
GC Rate to Achieve 1.125% Yield Spread		5.95%	
Loan Particip. to Achieve 1.125% Yield Spread			
0% Loans (Consumed) from Past Issues		-	
0% Loans Created from 2026-1		7,070,000	
Net Zero Percent Loans (Consumed) / Created		7,070,000	
New Volume Cap Needed			
2026-1 (Non-AMT)		150,000,000	
Plus PAC Premium (Non-AMT)		3,982,650	
Total		153,982,650	

Other Key Assumptions

6.25% Great Choice loan rate and 5.75% Homeownership for Heroes loan rate
$93MM of Great Choice loans and $40MM of Homeownership for Heroes loans
$12MM of amortizing DPA w/payment loans and $3MM of 0% deferred DPA loans
$2.5MM of 0% New Start Tier I loans
Originations totaling $20MM/month (for bond-funded portion, excluding TBA sales)
1% loan yield point on all loans
PAC structured with 5-year average life, 75% to 500% PSA

Tennessee Housing Development Agency Plan of Financing Residential Finance Program Bonds, Issue 2026-1, Adopted January 27,2026

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as Residential Finance Program Bonds, Issue 2026-1 (the "Bonds"), to be issued under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the "General Resolution").

The aggregate principal amount of the Bonds shall not exceed $300,000,000. The actual aggregate principal amount shall be determined by the Authorized Officer appointed by the THDA Board of Directors (the "Authorized Officer") upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel and may take into account the following limitations and other factors:

(1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and

(2) the amount of Bonds which may be issued to refund bonds or notes outstanding under the General Resolution and/or the General Housing Finance Resolution (the "2009 Resolution") to provide economic savings, additional opportunities for interest rate subsidies with respect to THDA Program Loans or as a result of prepayments, proceeds on hand, excess revenues, or maturing principal; and

(3) the amount of Bonds that may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans and program securities financed from available THDA funds or other financing sources prior to the availability of proceeds from the Bonds; and

(4) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans; and

(5) the availability of THDA's funds, subject to the review of the Authorized Officer, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, funding the Bond Reserve Fund, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans; and

(6) the amount of resources (loans and cash) available under the 1985 General Resolution to over collateralize the Bonds, if needed, to improve yield, reduce the amount of other subsidies and to increase the program asset debt ratio under the General Resolution.

APPLICATION OF PROCEEDS:	Proceeds of the Bonds will be applied to (i) redemption and payment at maturity of certain of THDA's bonds or notes outstanding under the General Resolution, and/or the 2009 Resolution; (ii) finance Program Loans by the direct purchase thereof (iii) to finance Program Loans upon the refunding or conversion thereof; and (iv) other uses as specified below in approximately the following amounts: 90% for single-family first lien mortgage loans, single- family second lien DPA loans, refinancing outstanding bonds; 8% for bond reserve; 1% for capitalized interest; and 1% for cost of issuance and underwriter's discount/fee.
DATE, METHOD AND TERMS OF SALE:	The sale of the Bonds will take place by competitive or negotiated sale, including private placement, and will occur no later than June 30, 2026. THDA will prepare for the sale with the aid of its financial advisor CSG Advisors, and its bond counsel, Kutak Rock.
MATURITIES:	The Bonds may be any combination of tax-exempt and/or taxable long and/or short term serial, term, convertible option, and/or discounted or premium bonds as may be determined by the Authorized Officer. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.
BOND INTEREST RATES:	The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.

REDEMPTION TERMS:	The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Authorized Officer.
LOAN INTEREST RATES AND COST OF ADMINISTRATION:	Unless otherwise permitted under the Internal Revenue Code, the blended effective interest rate on Program Loans financed with proceeds of tax-exempt Bonds (including any transferred loans upon the refunding of any outstanding bonds) will not exceed 112.5 basis points over the yield on such tax-exempt bonds, as calculated in accordance with the Internal Revenue Code, from which all of THDA’s costs of administration for the Bonds may be paid. The minimum spread necessary to finance the Issue 2026-1 Program Loans may be as low as 60 basis points.

A Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing the Issuance and Sale of Residential Finance Program Bonds, Issue 2026-1, Adopted January 27, 2026

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the “Act”), the Bond Finance Committee of the THDA Board of Directors (the “Committee”), on January 27, 2026, approved a plan of financing for Residential Finance Program Bonds, Issue 2026-1 (the “Bonds”) in an aggregate par amount not to exceed $300,000,000 (the “Plan of Financing”); and

WHEREAS, the Plan of Financing provides for the Bonds to be issued as additional series of long term and/or short term tax-exempt and/or taxable bonds, including convertible option bonds, with fixed interest rates, under the General Residential Finance Program Bond Resolution adopted by THDA on January 29, 2013, as amended (the “General Resolution”) and to be sold by competitive or negotiated sale, all at the election of the Authorized Officer; and

WHEREAS, THDA on January 28, 2025, adopted a Housing Cost Index, as defined in Section 13-23- 103(7) of the Act, which shows that, as of December 10, 2024, primary housing costs exceed 25% of an average Tennessee household’s gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the “Code”), THDA must conduct a public hearing regarding the issuance of the Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the “Preliminary Official Statement”) to prospective purchasers and has proposed to make available to the respective purchasers a final official statement (the “Official Statement”) with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Authorized Officer to proceed with the issuance and sale of the Bonds to provide funds for THDA’s programs in accordance with the Plan of Financing and this Resolution.

NOW, Therefore, Be It Resolved by the Board of Directors of the Tennessee Housing Development Agency as Follows:

1. The Secretary of the Committee, or in the absence of the Secretary of the Committee, an officer designated by the Secretary of the Committee is appointed as the authorized officer (the "Authorized Officer") and is authorized to sell the Bonds and to fix the details of the Bonds in accordance with the Plan of Financing and this Resolution.

2. The issuance and sale of the Bonds, in an aggregate par amount not to exceed $300,000,000, with the final terms, all as determined by the Authorized Officer pursuant to the Plan of Financing and upon the recommendation of THDA's Financial Advisor, and the Executive Director, with the approval of THDA's Bond Counsel, is hereby authorized.

3. The resolution titled "A Supplemental Resolution Authorizing the Sale of Residential Finance Program Bonds, $___ Issue 2026-1A" (Non-AMT), Issue 2026-1B" (Non-AMT), $_____ Issue 2026-1C (Federally Taxable) $__________ (the "Supplemental Resolution"), in the form attached hereto, is adopted, subject to the provisions contained herein.

4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the tax- exempt Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor's written approval.

5. The Authorized Officer is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT, non-AMT or taxable components; (d) designate fixed interest rates; (e) approve a final structure for the Bonds (including whether or not any of the Bonds are convertible option bonds); (f) approve a final principal amount or amounts, not to exceed a par amount of $300,000,000; (g) authorize bond insurance, if determined necessary; (h) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing and the Supplemental Resolution; (i) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Authorized Officer, upon the recommendation of the Executive Director with the approval of Chief Legal Counsel of THDA and Bond Counsel, as the Authorized Officer shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (j) select the senior bookrunning manager and the rotating co-manager upon the recommendation of the Financial Advisor and THDA staff; and (k) award the Bonds

in accordance therewith. At the discretion of the Authorized Officer, the Bonds may include new volume cap and any combination of amounts needed to refund all or any part of bonds or notes outstanding under the General Resolution, under the General Homeownership Program Bond Resolution or under the General Housing Finance Resolution, including, without limitation, to produce proceeds for new mortgage loans or to produce economic savings or opportunities for interest rate subsidies. In addition, the Authorized Officer, at their discretion, may elect to transfer resources from the General Homeownership Program Bond Resolution and/or the General Housing Finance Resolution to the General Resolution in connection with the issuance of the Bonds upon recommendation of the Executive Director or Secretary of the Committee with the approval of Bond Counsel, Financial Advisor and Chief Legal Counsel.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Bonds.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and Chief Legal Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Bonds or all documents, including, without limitation, a purchase agreement or purchase agreements in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Bonds.

8. The Authorized Officer is hereby authorized to execute (i) the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Bonds or (ii) purchase agreements in the event of a negotiated sale, including a private placement, of all or any portion of the Bonds, the form of which has been approved by the Authorized Officer, upon the recommendation of the Financial Advisor and Bond Counsel, and (iii) to deliver the Bonds as appropriate.

9. The Authorized Officer, and the Chair, the Vice-Chair, the Executive Director, the Director of Finance and the Chief Legal Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Bonds or that

are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Bonds.

10. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

11. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than eight (8) members of the THDA Board of Directors at its meeting on January 27, 2026.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Supplemental Resolution

Authorizing the Sale of

Residential Finance Program Bonds

$__________ Issue 2026-1A (Non-AMT)

$__________ Issue 2026-1B (Non-AMT)

$__________ Issue 2026-1C (Federally Taxable)

Adopted January 27, 2026
as approved in its amended and supplemented form
by its Designated Authorized Officer
on __________ __, 2026

ARTICLE I

DEFINITIONS AND AUTHORITY

ARTICLE II

TERMS AND ISSUANCE

ARTICLE III

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ARTICLE IV

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ARTICLE VI

MISCELLANEOUS

A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF

RESIDENTIAL FINANCE PROGRAM BONDS

$__________ ISSUE 2026-1A (Non-AMT)

$__________ ISSUE 2026-1B (Non-AMT)

$__________ ISSUE 2026-1C (Federally Taxable)

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** ("THDA") as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2026-1 Supplemental Residential Finance Program Bond Resolution.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled "General Residential Finance Program Bond Resolution" (the "General Resolution") have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

[*"400% PSA Prepayment Amount"* means the cumulative amount of principal prepayments on the Program Loans allocable to the Issue 2026-1A Bonds or a particular Subseries of Long Term Rate Bonds (including Program Securities and DPA Loans [and the Transferred Program Loans]) at a rate equal to 400% PSA, as set forth in Exhibit B hereto.]

"*Bond Amortization Schedule*" shall mean the schedule of principal maturities and sinking fund installments with respect to the Issue 2026-1B Bonds upon conversion of the interest rate thereon to Long Term Rates which schedule shall provide for substantially level debt service determined by the (i) scheduled repayments (net of servicing fees) of Program Loans to be made from bond proceeds, (ii) interest income and scheduled reductions of the Bond Reserve Fund, (iii) interest income from the Revenue Fund and (iv) payment of Trustee fees.

"*Bond Purchase Agreement*" means, collectively, the Issue 2026-1AC Bond Purchase Agreement and the Issue 2026-1B Bond Purchase Agreement.

"*Business Day*" shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

"*Co-Managers*" means [J.P. Morgan Securities LLC, Wells Fargo Bank, National Association and [________________]].

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Convertible Bonds*" shall mean all Issue 2026-1B Bonds, with respect to which THDA has not yet exercised its Long Term Option.

"Designated Authorized Officer" means the Secretary of the Bond Finance Committee or, in the absence of the Secretary of the Bond Finance Committee, an officer designated by the Secretary of the Bond Finance Committee.

"DPA Loan" means a subordinate lien loan made in connection with a first lien loan made by THDA, for purposes of downpayment and closing cost assistance; such DPA Loans may be either (i) non-interest bearing loans with 30 year terms, due on sale or refinance, or (ii) fully amortizing 30 year term loans with an interest rate equal to the related first lien loan.

"*DTC*" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Election Certificate" shall mean a Certificate of an Authorized Officer delivered on an Election Date pursuant to Section 3.02 hereof.

"*Election Date*" shall mean any date on which THDA is required to elect in accordance with Section 3.02 hereof the Short Term Option, the Long Term Option or the Redemption Option with respect to any outstanding Convertible Bonds. Such election must occur on or prior to the 10th day next preceding any Tender Date.

"*Excess 2026-1 Principal Payments*" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans, or portions thereof, allocable to the Issue 2026-1 Bonds or a Subseries of Long Term Rate Bonds (including Program Securities and DPA Loans [and the Transferred Program Loans][allocable to such Long Term Rate Bonds]) to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the [Issue 2026-1 Bonds][such Long Term Rate Bonds].

"*Issue 2026-1 Bonds*" means, together, the Issue 2026-1A Bonds and the Issue 2026-1B Bonds [and the Issue 2026-1C Bonds].

"*Issue 2026-1A Bonds*" means the Issue 2026-1A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*"Issue 2026-1A PAC Bonds"* means the Issue 2026-1A Bonds in the aggregate principal amount of $_____ maturity on __________.]

["*Issue 2026-1A PAC Bonds Planned Amortization Amount*" means the cumulative amount of Issue 2026-1A PAC Bonds expected to be redeemed upon the receipt of Excess 2026-1 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2026-1A Serial Bonds*" means the Issue 2026-1A Bonds which are not Issue 2026-1A Term Bonds.

"*Issue 2026-1A Term Bonds*" means, collectively, the Issue 2026-1A Bonds maturing [__________, _____, and __________].

"*Issue 2026-1AC Bond Purchase Agreement*" means the contract for the purchase of the Issue 2026-1A Bonds and the Issue 2026-1C Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.

["*Issue 2026-1B Bond Purchase Agreement*" means the contract for the purchase of the Issue 2026-1B Bonds between THDA and the Underwriters, in substantially the form attached hereto as Exhibit A.]

"*Issue 2026-1B Bonds*" means the Issue 2026-1B Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing, which Issue 2026-1B Bonds shall include the Convertible Bonds and the Long Term Rate Bonds of such Series.

[*"Issue 2026-1B PAC Bonds"* means, if so designated in an Election Certificate on any Election Date, the last Term Bond of any Subseries of Long Term Rate.]

["*Issue 2026-1B PAC Bonds Planned Amortization Amount*" means the cumulative amount relating to a Subseries of Long Term Rate Bonds expected to be redeemed upon the receipt of Excess 2026-1 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2026-1B Serial Bonds*" means the Issue 2026-1B Bonds which are not Term Bonds.

"*Issue 2026-1B Tender Date*" shall mean (i) the initial Tender Date for 100% of the Issue 2026-1B Convertible Bonds of [_______________], unless THDA designates a Business Day occurring on or after [_______________], as the initial Tender Date for all or a portion of the Issue 2026-1B Convertible Bonds in accordance with Section 3.01 and, if applicable, (ii) the Tender Dates thereafter for any Issue 2026-1B Bonds shall be any Business Day occurring on or before [_______________], as designated by THDA in accordance with Section 3.01; provided, that Long Term Rate Bonds shall not be subject to mandatory tender on any Tender Date and provided further that the last Issue 2026-1B Tender Date shall be [_______________], if there are any Issue 2026-1B Convertible Bonds outstanding on such date.

"*Issue 2026-1B Term Bonds*" means, subsequent to the conversion of the interest rate thereon to Long Term Rates, collectively, the Issue 2026-1B Bonds maturing [__________, _____, and __________].

"*Issue 2026-1C Bonds*" means the Issue 2026-1C Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

[*"Issue 2026-1C PAC Bonds"* means the Issue 2026-1C Bonds in the aggregate principal amount of $_____ maturity on __________.]

["*Issue 2026-1C PAC Bonds Planned Amortization Amount*" means the cumulative amount of Issue 2026-1C PAC Bonds expected to be redeemed upon the receipt of Excess 2026-1 Principal Payments at a rate equal to [100]% PSA, as set forth in Exhibit B hereto.]

"*Issue 2026-1C Serial Bonds*" means the Issue 2026-1C Bonds which are not Term Bonds.

"*Issue 2026-1C Term Bonds*" means, collectively, the Issue 2026-1C Bonds maturing [__________, _____, and __________].

"*Issue Date*" means the date on which the Issue 2026-1 Bonds are issued by THDA and delivered to the Underwriters, expected to occur on [_____ __], 2026.

"*Long Term Option*" shall have the meaning set forth in Section 3.02(a) hereof.

"*Long Term Rate*" shall have the meaning set forth in Section 3.02(a) hereof.

"*Long Term Rate Bonds*" shall mean all Issue 2026-1B Bonds for which the Long Term Option has been exercised, which Bonds bear interest at fixed interest rates to their maturity or prior redemption.

"MSRB" means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

"*Official Statement*" means the Official Statement dated [___________ __], 2026 used in connection with the sale of the Issue 2026-1 Bonds.

"*Notification Date*" shall mean any date on which the Trustee is required to send a Tender Notice to owners of Convertible Bonds in accordance with Section 3.03 hereof. Such Tender Notice must be sent on or prior to the 15th day next preceding a Tender Date.

["*PAC Bonds*" means, collectively, the Issue 2026-1A PAC Bonds, the Issue 2026-1B PAC Bonds and the Issuer 2026-1C PAC Bonds.]

["*PAC Bonds Planned Amortization Amount*" means, collectively, the Issue 2026-1A Planned Amortization Amount, the Issue 2026-1B Planned Amortization Amount, and the Issue 2026-1C Planned Amortization Amount.]

"*Preliminary Official Statement*" means the Preliminary Official Statement dated [___________ __], 2026 used in connection with the offering of the Issue 2026-1 Bonds.

"*Rating Agency*" shall mean Moody's Investors Service, Inc. (or any successor thereto), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business (or any successor thereto).

"*Redemption Option*" shall have the meaning set forth in Section 3.02(c) hereof.

["*Refunded Bonds*" means, the THDA bonds [listed in Exhibit D hereto][set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2026-1 Bonds.]

"*Remarketing Agent*" means the Remarketing Agent appointed in accordance with Section 3.04 of this Resolution.

"*Remarketing Agreement*" means the Remarketing Agreement for the remarketing of the Convertible Bonds by and between THDA and the Remarketing Agent referred to in Section 3.04 of this Resolution which shall constitute the Remarketing Agreement for purposes of the Resolution.

"Remarketing Costs" means any costs associated with the remarketing of any Short Term Rate Bonds or the conversion of any Issue 2026-1B Bonds to Long Term Rate Bonds, including fees of the Remarketing Agent, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the remarketing of the Issue 2026-1B Bonds.

"*Resolution*" means this Supplemental Resolution adopted by THDA on January 27, 2026, as approved in its amended and supplemented form by the Designated Authorized Officer on [__________ __], 2026.

"*Serial Bonds*" means, collectively, the Issue 2026-1A Serial Bonds, the Issue 2026-1B Serial Bonds, and the Issue 2026-1C Serial Bonds.

"*Short Term Option*" shall have the meaning set forth in Section 3.02(b) hereof.

"*Short Term Rate*" shall mean the short-term adjustable interest rate (i) initially borne by the Convertible Bonds upon issuance and (ii) pursuant to the Short Term Option set forth in Section 3.02(b) hereof.

"*Subseries*" shall mean any subseries of Issue 2026-1 Bonds established pursuant to this Resolution and references to the Bonds of any Subseries shall include all Bonds at any particular point in time designated as the Bonds of such Subseries in accordance with the provisions of this Resolution.

"*Tender Date*" shall mean any date on which all or a portion of Convertible Bonds become subject to mandatory tender for purchase by the Trustee, including any Issue 2026-1B Tender Date.

"*Term Bonds*" means, collectively, the Issue 2026-1A Term Bonds, the Issue 2026-1B Term Bonds, and the Issue 2026-1C Term Bonds.

["*Transferred Investments*" means amounts on deposit in certain funds and accounts of THDA allocated to any Refunded Bonds relating to the Issue 2026-1A Bonds or a Subseries of Long Term Rate Bonds which are allocated to such Long Term Bonds upon the refunding of such Refunded Bonds.]

["*Transferred Proceeds*" means the sum of $__________ on deposit in the Issue 2026-1 Bond Subaccount of the Loan Fund subsequent to the refunding of any Refunded Bonds.]

["*Transferred Program Loans*" means the Program Loans allocable to any Refunded Bonds which are allocated to the Issue 2026-1A Bonds or a Subseries of Long Term Rate Bonds upon the refunding of such Refunded Bonds.]

"*Underwriters*" means, collectively, [Raymond James & Associates, Inc., and RBC Capital Markets, LLC], their respective successors and assigns, and the Co-Managers as purchasers of the Issue 2026-1 Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

(e) [Unless the context otherwise indicates, the term "Program Loan" as used herein shall include any Transferred Program Loans, as well as new Program Loans and DPA Loans, and, without duplication, Program Securities, and the phrase "Program Loans allocable to the Issue 2026-1 Bonds" shall include any Transferred Program Loans as well as any new Program Loans, DPA Loans, and Program Securities acquired with proceeds of the Issue 2026-1 Bonds.]

Section 1.03. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

ARTICLE II

TERMS AND ISSUANCE

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Residential Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Residential Finance Program Bonds, Issue 2026-1A are hereby authorized to be issued in the aggregate principal amount of

$__________, Residential Finance Program Bonds, Issue 2026-1B are hereby authorized to be issued in the aggregate principal amount of $__________, and Residential Finance Program Bonds, Issue 2026-1C are hereby authorized to be issued in the aggregate principal amount of $__________. In addition to the title “Residential Finance Program Bond,” the Issue 2026-1 Bonds will bear the additional designation “Issue 2026-1A (Non-AMT),” “Issue 2026-1B (Non-AMT),” and “Issue 2026-1C (Federally Taxable),” as appropriate. The Issue 2026-1 Bonds shall be issued only in fully registered form. The Issue 2026-1A Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds. The Issue 2026-1B Bonds will initially consist of $__________ principal amount of Convertible Bonds. The Issue 2026-1C Bonds will consist of $__________ principal amount of Serial Bonds and $__________ principal amount of Term Bonds.

Section 2.02. Purposes. [A portion of] the Issue 2026-1A Bonds are being issued to refund the Refunded Bonds. [As a result of such refunding, the Transferred Program Loans, [Transferred Proceeds] and the Transferred Investments will become allocated to the Issue 2026-1 Bonds.] [A portion of] the Issue 2026-1A Bonds, and the Issue 2026-1B Bonds and the Issue 2026-1C Bonds are being issued, subsequent to the conversion of the interest rate on any Convertible Bonds to Long Term Rates, (a) to finance DPA Loans and Program Loans (including Program Securities), or participations therein, on single family residences located within the State, (b) if required, to pay capitalized interest on the Issue 2026-1 Bonds, (c) if required, to make a deposit in the Bond Reserve Fund, and (d) if required, to pay certain costs of issuance relating to the Issue 2026-1 Bonds. Upon the conversion of the interest rate on all or a portion of the Convertible Bonds to Long Term Rate Bonds, amounts on deposit in the Issue 2026-1B Subaccount of the Loan Fund also may be used, if required, to pay certain costs of issuance or remarketing with respect to the Issue 2026-1B Bonds. [As a result of the refunding of the Refunded Bonds, the Transferred Proceeds will become allocated to the Issue 2026-1 Bonds.]

The proceeds of the Issue 2026-1A Bonds [and the [Transferred Proceeds and the] Transferred Investments] shall be applied in accordance with Article IV hereof.

Prior to the initial Issue 2026-1B Tender Date, all moneys made available from the issuance of the Issue 2026-1B Bonds shall be deposited in the Issue 2026-1B Subaccount of the Loan Fund, and shall be applied in accordance with Article IV hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2026-1A Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing [__________], at the rate set opposite such date in the following tables:

Issue 2026-1A Bonds

Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
	$	%		$	%

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	$	%

Issue 2026-1C Bonds

Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
	$	%		$	%

Term Bonds

Maturity Date	Principal Amount	Interest Rate
	$	%

(b) Prior to the conversion of the interest rate on any Issue 2026-1B Bonds to Long Term Rates, such Convertible Bonds shall have a nominal maturity of [______]. The Convertible Bonds shall bear interest at the initial Short Term Rate of [_____]% per annum to, but excluding, the Issue 2026-1B Tender Date, calculated on the basis of a 360-day year of twelve 30-day months.

(c) At such time as THDA elects the Long Term Option with respect to all or a portion of the Convertible Bonds, the Issue 2026-1B Bonds with respect to which such an election shall have been made shall bear interest at the Long Term Rate (calculated on the basis of a 360-day year of twelve 30-day months) and shall mature on each January 1 and July 1 commencing on the first January 1 or July 1 which is at least twelve months subsequent to the date of conversion of the interest rate on the 2026-1B Bonds to Long Term Rates through and including July 1, [____], and on January 1, [____], July 1, [____], January 1, [____] and July 1, [____], each in the principal amounts determined by application of the related Bond Amortization Schedule.

Notwithstanding the foregoing, in the event that the application of the Bond Amortization Schedule results in a principal amount of Issue 2026-1B Bonds that is to mature or to be redeemed on any date which is not an integral multiple of $5,000, then the amount of such principal shall be rounded up to the next integral multiple of $5,000 and the principal amount of the final maturity of the Issue 2026-1B Bonds which are being converted to the Long Term Rate shall be reduced by a corresponding amount.

[The maturity dates for the Issue 2026-1B Bonds set forth above may be modified and the Issue 2026-1B Bonds which are to be converted to Long Term Rates shall be modified to incorporate [PAC Bonds], capital appreciation bonds and tender option bonds; provided, that (i) the Remarketing Agent delivers a certificate to the Trustee, THDA and Bond Counsel to the effect that the proposed changes in the maturity dates and structure of the Issue 2026-1B Bonds result in the lowest net interest cost to THDA that permits THDA to originate 30 year mortgages; (ii) the Trustee receives an opinion from Bond Counsel to the effect that such proposed changes do not adversely affect the exclusion of interest on the Issue 2026-1B Bonds from gross income for federal income tax purposes and that such proposed changes are permitted under the General Resolution and this Resolution; and (iii) written confirmation from the Rating Agencies that the proposed changes will not, in and of themselves, cause the ratings on the Issue 2026-1B Bonds to be adversely affected.]

(d) The Issue 2026-1B Bonds shall be dated their date of issuance and shall bear interest from that date to, but excluding, their respective Tender Date, and, if THDA selects the Short Term Option (as described below) in connection with such Tender Date or any subsequent Tender Date with respect to all or a portion of the Issue 2026-1B Bonds, then such Issue 2026-1B Bonds shall bear interest at the Short Term Rate (as defined in Section 3.02(b) hereof) from and including such Tender Date to, but excluding, the next succeeding Tender Date.

Prior to the first Issue 2026-1B Tender Date, interest on the Issue 2026-1B Bonds bearing interest at a Short Term Rate shall be payable on [July 1, ____], and the first Tender Date with respect thereto.

Subsequent to the first Tender Date, Issue 2026-1B Bonds bearing interest at a Short Term Rate shall be payable on each January 1 and July 1 commencing on the first January 1 or July 1 which is more than sixty days after the related Tender Date and on the next subsequent Tender Date. If THDA selects the Long Term Option in accordance with Section 3.02(a) hereof with respect to all or a portion of the Issue 2026-1B Bonds, then the Issue 2026-1B Bonds which are so converted shall bear interest at the Long Term Rate (as defined in Section 3.02(a) hereof) from the Tender Date on which the Long Term Rate goes into effect with respect to such Issue 2026-1B Bonds until maturity or prior redemption, payable on each January 1 and July 1 thereafter, commencing on the first such January 1 or July 1 which occurs more than sixty days following the Tender Date with respect to which THDA exercised its Long Term Option.

(e) Whenever the due date for payment of interest on or principal of the Issue 2026-1 Bonds or the date fixed for redemption of any Issue 2026-1 Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2026-1 Bonds of each Series or Subseries maturing in each year are to be issued in denominations of $5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2026-1 Bonds of each Series or Subseries maturing in such year. The Issue 2026-1 Bonds are to be lettered "R-2A," "R-2B," or "R-2C," as applicable, and numbered separately from 1 consecutively upwards.

(b) The Issue 2026-1 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2026-1 Bond of each Series or Subseries will be outstanding for each maturity and interest rate of each Series or Subseries of the Issue 2026-1 Bonds in the aggregate principal amount of such maturity, interest rate and Series or Subseries. Subject to the provisions of the General Resolution, purchases of ownership interests in the Issue 2026-1 Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2026-1 Bonds will not receive certificates representing their interest in the Issue 2026-1 Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2026-1 Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2026-1 Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2026-1 Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2026-1 Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2026-1 Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2026-1 Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2026-1 Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2026-1 Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2026-1 Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2026-1 Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2026-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2026-1 Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2026-1 Bonds in a principal amount equal to or exceeding $1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2026-1 Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 2.08. Sinking Fund Redemption Provisions.

(a) The Issue 2026-1A Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2026-1 Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2026-1A Term Bonds due ___________

Date	Amount Due	Date	Amount Due
	$		**$**

____

*Maturity

Issue 2026-1A Term Bonds due ____________

Date	Amount Due	Date	Amount Due
	$		**$**

____

*Maturity

Issue 2026-1C Term Bonds due ____________

Date	Amount Due	Date	Amount Due
	$		$

____

*Maturity

(a) The Issue 2026-1B Bonds that are Term Bonds are subject to redemption in part by lot on each January 1 and July 1 as set forth in the Bond Amortization Schedule at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued to the date of redemption from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem the Term Bonds specified for each of the dates in Section 2.03(e).

(b) Upon the purchase or redemption of Issue 2026-1 Bonds of any series and maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Issue 2026-1 Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Issue 2026-1 Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series and maturity of Issue 2026-1 Bonds, unless otherwise directed by THDA in accordance with the General Resolution.

Section 2.09. Optional Redemption. The Issue 2026-1A Bonds maturing on and after [________] [other than the Issue 2026-1A PAC Bonds], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after

[________] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

[[The Issue 2026-1A PAC Bonds are subject to redemption at the option of THDA, either as a whole or in part at any time or on or after [________] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article VI of the General Resolution, at the respective Redemption Prices set forth below (expressed as a percentage of the principal amount of such PAC Bonds to be redeemed), plus accrued interest to the redemption date:

Period	**PAC Bond Redemption Price**
[________] to [__________]	[_____]%
[__________] and thereafter	[_____]]

The 2026-1B Bonds bearing interest at a Short Term Rate shall be subject to redemption prior to maturity at the option of THDA in whole or in part on a Tender Date for such Bonds at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption.

The 2026-1B Bonds bearing interest at Long Term Rates shall be subject to redemption prior to maturity at the option of THDA, in whole or in part at any time on or after the first January 1 or July 1 subsequent to the [ninth] anniversary of the conversion of interest on such Bonds to Long Term Rates, at Redemption Prices (expressed as percentages of the principal amount of the Bonds or portions thereof to be redeemed) together with interest accrued to the date of redemption, during the applicable period listed below:

Redemption Period	Redemption Prices
January 1 or July 1 of [ninth] year following Long Term Rate conversion through the succeeding December 31 or June 30, as applicable	101%
January 1 or July 1 of [tenth] Year following Long Term Rate Conversion and thereafter	100

Section 2.10. Special Optional Redemption. The Issue 2026-1A Bonds, the Issue 2026-1C Bonds, and, subsequent to their conversion to Long Term Rate Bonds, the Issue 2026-1B Bonds, are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to amounts available for such purpose from (i) proceeds of such Issue 2026-1 Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans (including DPA Loans, and Program Securities [and the Transferred Program Loans]) allocated to the Issue 2026-1 Bonds not otherwise required to be applied to the special mandatory redemption of the Issue 2026-1 Bonds as described in Sections 2.11(b) or 2.11(c) hereof or to make regularly scheduled principal payments, including Sinking Fund Payments, on the Issue 2026-1 Bonds, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided however, that any PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 2.11(b) hereof [, and] (B) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the Planned Amortization Amount.

The date of redemption pursuant to this Section 2.10 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Issue 2026-1 Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the PAC Bonds in the event of a redemption described in clause (i) of the paragraph above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

The Issue 2026-1 Bonds to be redeemed pursuant to this Section 2.10 shall be selected by THDA in its sole discretion; provided, however, that any PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2026-1 Bonds then Outstanding in the event of any redemption pursuant to clause (i) of the first paragraph of this Section 2.10.

Section 2.11. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds.*** The Issue 2026-1A Bonds are subject to mandatory redemption on [_________] in the event and to the extent that there are unexpended proceeds of the Issue 2026-1A Bonds [in excess of $[________] on deposit in the Issue 2026-1AC Subaccount of the Loan Fund on [________]; provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in Section 5.02 hereof.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Issue 2026-1A Bonds are subject to mandatory redemption on [______ __, _____], to the extent any proceeds of the Issue 2026-1A Bonds remain on deposit in the Issue 2026-1AC Subaccount of the Loan Fund on [______ __, _____].

The Issue 2026-1B Bonds are subject to mandatory redemption in whole or in part at 100% of the principal amount thereof, plus accrued interest, on [______], from the unexpended proceeds of the Issue 2026-1B Bonds in excess of $249,999 on deposit in the Issue 2026-1B Subaccounts of the Loan Fund which have not been utilized to finance Program Loans and/or DPA Loans prior to [________]. Such redemption shall be paid out of all of the unexpended proceeds in the Issue 2026-1B Subaccounts of the Loan Fund made available from the issuance of the Issue 2026-1B Bonds and the investment income therefrom

The redemption price of the Issue 2026-1 Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for any PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. The Issue 2026-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that any PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2026-1 Bonds then Outstanding.

(b) [***Excess 2026-1 Principal Payments (PAC Bonds)***. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2026-1 Principal Payments. Any Excess 2026-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing [_________]; provided that PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2026-1 PAC Bonds remain Outstanding, Excess 2026-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to a Series or Subseries of Issue 2026-1 Bonds (including Program Securities and DPA Loans [and the Transferred Program Loans]) are equal to or less than the related 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2026-1 Principal Payments shall first be applied to redeem such PAC Bonds up to an amount correlating to the related PAC Bonds Planned Amortization Amount, and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than such PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to a Series or Subseries of the Issue 2026-1 Bonds (including Program Securities and DPA Loans [and the Transferred Program Loans]) are in excess of the related 400% PSA Prepayment Amount, as determined by THDA, then available Excess 2026-1 Principal Payments shall first be applied to redeem such PAC Bonds up to an amount correlating to the related PAC Bonds Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 2.11(c) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including such PAC Bonds (any such remainder used to redeem such PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2026-1 Principal Payments which is in excess of the related 400% PSA Prepayment Amount, and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of such PAC Bonds' proportionate amount of all Issue 2026-1 Bonds then Outstanding.

The Issue 2026-1A PAC Bonds Planned Amortization Amount and the Issue 2026-1A 400% PSA Prepayment Amount set forth in Exhibit B hereto, any Issue 2026-1B PAC Bonds Planned Amortization Amount and Issue 2026-1B 400% PSA Prepayment Amount determined for the Issue 2026-1B PAC Bonds, and the Issue 2026-1C PAC Bonds Planned Amortization Amount and Issue 2026-1C 400% PSA Prepayment Amount set forth in Exhibit B hereto, are each subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2026-1 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 2.11(a) hereof.]

(c) **Ten Year Rule**.

(i) To the extent not required to make regularly scheduled principal payments on the Issue 2026-1 Bonds (including Sinking Fund Payments) or otherwise required to be used to redeem the PAC Bonds as described in Section 2.11 (b) above, repayments and prepayments of principal on the Program Loans, or portions thereof, allocable to the Issue 2026-1A Bonds (including Program Securities and DPA Loans [and the Transferred Program Loans]) received more than ten years after the Issue Date of the Issue 2026-1A Bonds (or the date of original issuance of the bonds refunded by the Issue 2026-1A Bonds, directly or through a series of refundings) shall be applied to redeem the Issue 2026-1A Bonds on or before the next Interest Payment Date with respect to the Issue 2026-1A Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Issue 2026-1A Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 2.11(c). The Issue 2026-1 Bonds to be redeemed shall be selected by THDA in its sole discretion; provided however, that any PAC Bonds may be redeemed in an amount that exceeds the related PAC Bonds Planned Amortization Amount only if there are no other Issue 2026-1 Bonds Outstanding.

(d) *Mandatory Redemption of Issue 2026-1B Bonds Bearing Interest at Short Term Rate*. The Issue 2026-1B Bonds bearing interest at a Short Term Rate shall be subject to mandatory redemption on any related Tender Date, in whole or in part by lot, from proceeds of such Issue 2026-1B Bonds on deposit in the Issue 2026-1B Subaccount of the Loan Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the event such Issue 2026-1B Bonds have been tendered, or deemed tendered, for purchase on such Tender Date and the conversion to Long Term Rate Bonds does not occur or such Issue 2026-1B Bonds are not remarketed. No notice of redemption shall be given with respect to a redemption under this Section 2.11(d).

(e) *Selection of Bonds Subject to Mandatory Redemption*. THDA shall direct redemptions pursuant to subsections 2.11(a) and (b) hereof pro rata among all maturities of the related Subseries of Issue 2026-1B Bonds bearing interest at Long Term Rates, as applicable, then outstanding unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of such Subseries of Issue 2026-1B Bonds bearing interest at Long Term Rates, to be redeemed.

Section 2.12. Selection by Lot. If less than all of the Issue 2026-1 Bonds of like Series or Subseries and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

Section 2.13. Purchase of Bonds by THDA or Trustee. Whenever moneys are available for redemption of Bonds under Sections 2.08, 2.09, 2.10 or 2.11 above, THDA or the Trustee is authorized to purchase Bonds at a price not to exceed the applicable Redemption Price.

ARTICLE III

TENDER, REMARKETING AND PURCHASE OF CONVERTIBLE BONDS AND LONG TERM RATE LOANS

Section 3.01. Designation of Tender Dates [and Rate Estimation]. The Convertible Bonds are subject to mandatory tender in whole or in part on each related Tender Date; provided, however, that 100% of the Issue 2026-1B Convertible Bonds are subject to mandatory tender on [________________]. THDA may designate a Tender Date other than the stated Tender Date (any Business Day on or after [________________] in relation to the Issue 2026-1B Bonds, with respect to the first Tender Date for such Issue 2026-1B Bonds) for all or a portion of the Convertible Bonds for which funds are on deposit in the Issue 2026-1B Subaccount of the Loan Fund and shall pay the purchase price thereof in accordance herewith in the event of a failed remarketing by giving written notice of such designation to the Trustee, the Remarketing Agent and each Rating Agency no later than the 25th day prior to such Tender Date. (Such written notice to the Trustee shall also contain the direction for the Trustee to give Tender Notices as set forth in Section 3.03). THDA may specify in such written designation a period of time prior to the designated Tender Date during which THDA may not designate an earlier Tender Date. If only a portion of the Convertible Bonds are to be subject to tender on such Tender Date, then the Trustee shall select by lot which Convertible Bonds will be subject to tender on such Tender Date and such Convertible Bonds shall be given a special Subseries designation to distinguish them from other Convertible Bonds which are not subject to tender on such Tender Date. THDA will evaluate its ability to originate Program Loans and will be required to elect one of the Options described in Section 3.02 hereof on or before the 10th day next preceding each respective Tender Date (each, an "Election Date").

Section 3.02. Options. On each Election Date one of three Options must be selected by THDA and the Option selected will be effective as to all or a specified portion of the Convertible Bonds, as the case may be, on the next succeeding Tender Date. The Options are that the Convertible Bonds, or a specified portion thereof, will be:

(a) remarketed as serial and term bonds (including a PAC Bond, if so elected pursuant to the terms of this Section 3.02) having the maturity and redemption provisions described in Article II hereof and bearing long term interest rates determined by negotiated (including, without limitation, a private placement) or competitive sale, at THDA's option, as necessary to market such Convertible Bonds at a purchase price for each maturity equal to 100% of the principal amount thereof (the "Long Term Rate") from and including the applicable Tender Date next following THDA's exercise of its Long Term Option to the respective maturity dates of such Convertible Bonds, with such maturity dates determined in accordance with Section [_____] hereof (the "Long Term Option");

(b) remarketed as term bonds having the maturity and redemption provisions described herein, but subject to mandatory tender on the next succeeding applicable Tender Date and bearing a short term rate determined by negotiated (including, without limitation, a private placement) or competitive sale, at THDA's option, as necessary to market such Convertible Bonds at a purchase price equal to 100% of the principal amount thereof (the "Short Term Rate") from and including the Tender Date immediately following THDA's exercise of its Short Term Option to, but excluding, the next succeeding Tender Date which must be designated by THDA in accordance with Section 3.01 at the time THDA exercises its Short Term Option (the "Short Term Option"); or

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(c) redeemed at par pursuant to Section 2.09(b) hereof (the "Redemption Option") (the Long Term Option, the Short Term Option and the Redemption Option are hereinafter collectively called the "Options").

THDA shall elect the Long Term Option with respect to all or a portion of the Convertible Bonds with respect to which an election is being made if prevailing market conditions are such that such Bonds can be remarketed at a Long Term Rate which will enable THDA to implement THDA's program of financing Program Loans. THDA's determination shall be based on, among other things, whether, under prevailing financial market conditions, the Long Term Rate which the Issue 2026-1B Bonds would bear would be low enough to enable mortgagors to afford Program Loans and the mortgage lenders to commit to originate Program Loans and whether such remarketing is economically advantageous to THDA and otherwise satisfies the financial objectives of THDA. THDA may elect the Long Term Option for all or part of such Convertible Bonds. The Short Term Option or the Redemption Option is available to THDA only in the event that the prevailing financial conditions do not warrant THDA electing the Long Term Option prior to any Tender Date. On the last applicable Tender Date, THDA may only elect between the Long Term Option and the Redemption Option.

THDA may elect to include a PAC Bond as part of its Long Term Option only so long as [PAC test/requirement language to be provided]. Any election to include a PAC Bond in such Long Term Option must be designated in the Election Certificate delivered in connection with the related Tender Date.

In order to elect either the Short Term Option or the Long Term Option, THDA must notify the Rating Agencies of its election and deliver to them such information as they may require. In addition, in order to elect either the Long Term Option or the Short Term Option, THDA shall deliver to the Trustee (a) a Projected Cash Flow Statement, (b) a Bond Counsel Option to the effect that THDA's choice of such Option will not affect the validity of such Bonds or adversely affect the exclusion of interest on such Bonds from the gross income of the recipient thereof for federal income tax purposes, (c) written confirmation from each Rating Agency to the effect that such election will not adversely affect the then existing rating on any Bonds Outstanding, and (d) an Election Certificate.

Each Election Certificate shall set forth (a) the related Series, (b) the Outstanding principal amount of such Series on such Election Date, (c) the Option selected for such principal amount, or, if more than one Option is selected, the principal amount of such Series or Subseries relating to each Option, including the Subseries designation for each such Option, (d) the next Tender Date (including any lockout period) relating to any Series or Subseries, if any, with a Short Term Rate, (e) whether or not a PAC Bond is included in any Subseries of Bonds with a Long Term Rate, (f) the Bond Amortization Schedule for each Subseries with a Long Term Rate, and (g) the Planned Amortization Amounts relating to the PAC Bond, if any.

Section 3.03. Notification of Each Tender Date. On or prior to the 15th day next preceding each Tender Date, THDA will direct the Trustee to deliver to the registered owner or owners of Convertible Bonds subject to mandatory tender, by registered or first class mail, a notice of tender (the "Tender Notice") no later than the Notification Date. Notwithstanding the foregoing, so long as Cede & Co., as nominee of DTC, is the registered owner of all Convertible Bonds, such Tender Notice shall be delivered solely to Cede & Co. by registered or first class mail, or such other method of notification as shall be acceptable to DTC.

The Tender Notices with respect to the Issue 2026-1B Bonds shall state in substance that (a) the Convertible Bonds which are subject to mandatory tender on the next Tender Date are required to be tendered for mandatory purchase on the next Tender Date (which date shall be specified in the Tender Notice) at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon to the purchase date; (b) the registered Bondowner will be entitled only to the payment of the purchase price equal to 100% of the principal amount of his Convertible Bonds plus accrued interest to the applicable Tender Date but will not be entitled to the payment of interest which accrues on his Convertible Bonds from and after such Tender Date; (c) such registered Bondowner must deliver his Convertible Bonds to the Trustee not later than 10:30 A.M., New York City time, on the next Tender Date duly endorsed in blank for transfer.

Section 3.04. Remarketing of Tendered Bonds. THDA shall select an investment banking firm, financial advisory firm or other entity experienced in the sale or placement of qualified mortgage revenue bonds to serve as Remarketing Agent with respect to the Convertible Bonds either through negotiation (including, without limitation, the placement thereof with an institutional investor) or competitive sale. THDA shall direct the Remarketing Agent to offer, the Convertible Bonds (or portions thereof) in the amount required to be tendered for purchase. The Remarketing Agent shall offer for sale and use its best efforts to sell, or negotiate the sale or private placement of, the Convertible Bonds (or portions thereof) of each maturity at a price equal to 100% of the principal amount thereof. The Remarketing Agent shall notify the Trustee no later than one Business Day (or two Business Days if THDA elects the Long Term Option) preceding the applicable Tender Date, of the amount remarketed, their maturities and interest rates. Any portion of the Convertible Bonds not remarketed shall be redeemed by the Trustee with moneys made available from proceeds of such Bonds on deposit in the Issue 2026-1B Subaccount of the Loan Fund, as applicable.

Section 3.05. Payment of Tendered Convertible Bonds.

(a) *Application of Remarketing Account*. The Trustee shall establish hereunder a Remarketing Account and shall deposit therein proceeds received from the remarketing of the Convertible Bonds.

(b) *Payment of Tendered Bonds*. On each Tender Date, the Trustee shall purchase the amount of the Convertible Bonds which have been tendered to the extent proceeds for such purchase are available in the Remarketing Account. Any portion of a Convertible Bond which has been tendered but not remarketed shall be redeemed by the Trustee with moneys available in the Issue 2026-1B Subaccount of the Loan Fund, as applicable, which are attributable to the proceeds of such unremarketed Convertible Bonds.

ARTICLE IV

SALE AND DELIVERY

Section 4.01. Sale.

(a) The Issue 2026-1 Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase

Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Board of Directors of THDA hereby authorizes the Designated Authorized Officer to approve the purchase price of the Issue 2026-1 Bonds and to execute the Bond Purchase Agreement.

(b) The Designated Authorized Officer of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Issue 2026-1 Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chair, Vice Chair, Executive Director and Designated Authorized Officer are hereby authorized to sign and deliver such Official Statement to the Underwriters. The distribution of the Preliminary Official Statement relating to the Issue 2026-1 Bonds to the public is hereby authorized and approved.

(c) The Issue 2026-1 Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this 2026-1 Supplemental Resolution.

ARTICLE V

DISPOSITION OF PROCEEDS AND OTHER MONEYS

Section 5.01. Loan Fund; Bond Reserve Fund Requirement. Upon receipt of the proceeds of the sale of the Issue 2026-1 Bonds, THDA shall deposit such proceeds, together with any contribution from THDA of available THDA funds, in the Issue 2026-1 Bond Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable, as shall be set forth in a certificate of THDA delivered on or prior to the date of issuance of the Issue 2026-1 Bonds. Amounts on deposit in the Issue 2026-1B Subaccount of the Loan fund shall not be applied to finance Program Loans until the interest rates on all or a portion of the Issue 2026-1B Bonds are converted to Long Term Rate Bonds. Amounts on deposit in the Issue 2026-1AC Bond Subaccount of the Loan Fund in excess of $[__________], [together with the Transferred Proceeds,] shall be applied to (i) the financing of Program Loans (including Program Securities and DPA Loans), or participations therein, in accordance with the provisions of the General Resolution and Section 5.04 hereof, (ii) deposits to the Bond Reserve Fund and the Debt Service and Expense Account of the Revenue Fund, (iii) payment of Costs of Issuance and (iv) payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer.

Upon the conversion of any Issue 2026-1B Bonds to a Long Term Rate Bonds, THDA shall deposit the proceeds of such Long Term Rate Bonds, together with any contribution from THDA of available THDA funds, in a Subseries subaccount of the related Issue 2026-1B Subaccount of the Loan Fund and in the Bond Reserve Fund, if applicable; such deposits shall be as set forth in a certificate of THDA delivered on or prior to the date of conversion of any Issue 2026-1B Bonds to Long Term Rate Bonds. Such proceeds may be (a) applied to the refunding of Refunded Bonds, if any, (b) deposited to the Issue 2026-1B Subaccount of the Bond Fund in any amount required to meet the Bond Reserve Requirement for such Series, and (c) applied to the payment of Remarketing Costs; all remaining proceeds may be applied to finance Program Loans, or participations therein, in accordance with the provisions of the General Resolution and Section 5.04 hereof.

Amounts on deposit in a Subseries subaccount of any the Issue 2026-1 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of the related Issue 2026-1 Bonds as described in Section 2.11(a) hereof. The date of such redemption provided in Section 2.11(a) may be extended upon the delivery by THDA to the Trustee and the Rating Agency of a Projected Cash Flow Statement which satisfies the requirements of Section 7.11 of the General Resolution; provided further that the date of such redemption shall not be extended beyond the date set forth in the second paragraph of Section 2.11(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Issue 2026-1 Bonds from the income of the owners thereof for federal income tax purposes. The amount of funds on deposit in the Issue 2026-1 Bond Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the Issue 2026-1 Bonds shall not exceed 2% of the proceeds of the Issue 2026-1 Bonds.

THDA hereby covenants that an amount equal to twenty percent (20%) of the funds deposited in the Issue 2026-1 Bond Subaccount of the Loan Fund allocable to the new money proceeds of the Issue 2026-1A Bonds which are to be used to finance Program Loans shall be made available for owner financing of “targeted area residences” (as defined in Section 143(j) of the Code) for a period of one year subsequent to the date on which such funds are first made available to finance Program Loans, unless THDA shall receive an opinion of Bond Counsel to the effect that the failure to make such moneys available will not adversely affect the exclusion of interest on the Issue 2026-1 Bonds from the gross income of the owners thereof for federal income tax purposes.

The Bond Reserve Fund Requirement with respect to the Issue 2026-1 Bonds and any Subseries of Long Term Rate Bonds shall be [an amount equal to 3% of the then current balance of Program Loans (other than Program Loans underlying Program Securities) allocable to such Series or Subseries of the Issue 2026-1 Bonds plus the amount on deposit in the related Issue 2026-1 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Requirement.]

Section 5.02. Proceeds of Issue 2026-1 Bonds. Proceeds of the Issue 2026-1A Bonds, Issue 2026-1B Bonds and Issue 2026-1C Bonds, together with any contribution from THDA of available THDA funds, initially shall be deposited (a) in the principal amount of $[_______], in the Issue 2026-1AC Bond Subaccount of the Loan Fund, and (b) in the principal amount of $[_______], in the Issue 2026-1B Bond Subaccount of the Loan Fund. [On the Issuance Date, $[__________] of the amount on deposit in the Issue 2026-1AC Bond Subaccount of the Loan Fund [(representing [the principal] [a portion of] the proceeds of the Issue 2026-1A Bonds)] shall be applied to the refunding of the Refunded Bonds. [On such date, the Transferred Program Loans [and the Transferred Proceeds] shall be credited to the Issue 2026-1 Bond Subaccount of the Loan Fund and the Transferred Investments shall be deposited in such Funds or Accounts as shall be set forth in a certificate of THDA delivered on or prior to the Issuance Date.]]

Section 5.03. Investment of Proceeds of Issue 2026-1B Bonds. The proceeds of the Issue 2026-1B Bonds bearing interest at a Short Term Rate shall be invested in Investment Securities which mature and bear interest in an amount at least equal to the principal of and interest due on such Issue 2026-1B Bonds on their Tender Date. Such Investment Securities will secure all

Bonds Outstanding under the General Resolution on a parity basis. Notwithstanding the foregoing, THDA hereby covenants and agrees for the benefit of the owners of the Issue 2026-1B Bonds bearing interest at a Short Term Rate, that amounts on deposit in the Issue 2026-1B Subaccount of the Loan Fund shall be used to pay debt service on Bonds other than the Issue 2026-1B Bonds only to the extent that there are no other funds available for such payment under the Resolution.

Section 5.04. Program Loan Determinations. No Program Loan shall be financed with proceeds of the Issue 2026-1 Bonds [(including the Transferred Proceeds)] unless (i) such Program Loan is made for the acquisition of residential housing for occupancy by not more than four families and (ii) the deed of trust securing such Program Loan shall constitute and create a first lien subject only to Permitted Encumbrances, on the fee simple or leasehold estate, of real property located in the State or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing; provided, however, that DPA Loans may be made on a subordinate lien basis. DPA Loans may be financed with no more than 6% of the total principal amount of the Issue 2026-1 Bonds.

In addition, the Program Loan (other than a DPA Loan) must either:

(a) have been pooled into a Program Security; or

(b) have been insured or guaranteed or have a commitment for insurance or guaranty by (i) the United States or any instrumentality thereof (inclusive of the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or (ii) any agency or instrumentality of the State authorized by law to issue such insurance; or

(c) be made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value (as determined in an appraisal by or acceptable to THDA), or the sale price of the property securing the Program Loan; or

(d) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or sale price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to issue such insurance or guarantee in the State and approved by THDA, and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or sale price of the property securing the Program Loan, whichever is less.

ARTICLE VI

FORM OF BONDS, AND
TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 6.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2026-1 Bonds in fully registered form shall be in substantially the form attached hereto as Exhibit C, with such variations as shall be appropriate in order to conform to the terms and provisions of the General Resolution and this Resolution.

Section 6.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2026-1 Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, [Issue 2026-1A (Non-AMT)] [Issue 2026-1B (Non-AMT)] [Issue 2026-1C (Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK TRUST COMPANY NATIONAL ASSOCIATION, as Trustee

By ____

Authorized Officer

ARTICLE VII

MISCELLANEOUS

Section 7.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Issue 2026-1 Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Issue 2026-1 Bonds and neither the members of THDA nor any person executing the Issue 2026-1 Bonds may be liable personally on the Issue 2026-1 Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 7.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Issue 2026-1 Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Issue 2026-1 Bonds. The Issue 2026-1 Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Issue 2026-1 Bonds.

Section 7.03. Delivery of Projected Cash Flow Statements. THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

Section 7.04. Authorized Officers. The Chair, Vice Chair, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

Section 7.05. Authorized Trustee. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

Section 7.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Issue 2026-1 Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Issue 2026-1 Bonds from time to time.

Section 7.07. Continuing Disclosure Undertaking.

(a) THDA shall deliver to the MSRB, within 210 days after the end of each Fiscal Year:

(i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and

(ii) an annual update of the type of information in the Official Statement (A) contained in Appendix E, (B) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements and (C) of the nature disclosed under the following headings (including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, delinquency information, acquisition costs and income limits):

(A) Residential Finance Program Bonds; and

(B) Residential Finance Program Loans.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB or filed with the Securities and Exchange Commission.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2026-1 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the Bond Reserve Fund (or other debt service reserves) reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issue 2026-1 Bonds, or other material events affecting the tax status of the Issue 2026-1 Bonds;

(vii) modifications to rights of the holders of the Issue 2026-1 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2026-1 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA);

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation of THDA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of THDA, any of which affect Bondholders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of THDA, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term "financial obligation" means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2026-1 Bonds or defeasance of any Issue 2026-1 Bonds need not be given pursuant to this Section 7.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2026-1 Bonds pursuant to the Resolution.

(c) THDA shall give notice to the Trustee and the MSRB in a timely manner of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 7.07 shall be for the benefit of the beneficial owners of the Issue 2026-1 Bonds whether or not the Rule applies to such Issue 2026-1 Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2026-1 Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of the Rule as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Issue 2026-1 Bonds or (B) the holders of the Issue 2026-1 Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; and (v) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2026-1 Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2026-1 Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 7.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 7.07 may be enforced by any beneficial owner of the Issue 2026-1 Bonds exclusively by an action for specific performance. The obligations of THDA in this Section 7.07 shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the obligations under this Section 7.07 shall be instituted in a court of competent jurisdiction in the State.

Section 7.08. Confirmation and Adjustment of Terms by Designated Authorized Officer. The terms of the Issue 2026-1 Bonds are herein established subject to confirmation by the

Designated Authorized Officer upon the approval of the sale of the Issue 2026-1 Bonds by the Designated Authorized Officer. The Designated Authorized Officer is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Issue 2026-1 Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Designated Authorized Officer determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

Section 7.09. Covenant as to Investment Securities. THDA will not change the terms of any Investment Securities in which the Issue 2026-1B Bond proceeds are invested nor liquidate such Investment Securities at less than par prior to the maturity thereof during the period prior to its selection of the Long Term Option for all Issue 2026-1B Bonds without first obtaining the prior written consent of each Rating Agency.

Section 7.10. Effective Date. This Resolution will take effect immediately.

EXHIBIT A

BOND PURCHASE AGREEMENTS

EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR ISSUE 2026-1A PAC BONDS]

Date	Issue 2026-1A PAC Bonds Planned Amortization Amount

[[400]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2026-1A BONDS]

Date	Cumulative Amount	Date	Cumulative Amount

[Add tables as needed for Issue 2026-1B PAC Bonds and Issue 2026-1C PAC Bonds, if any.]

EXHIBIT C

FORM OF BOND

REGISTERED

R-[1A][1B][1C]-__ **$[_________]**

TENNESSEE HOUSING DEVELOPMENT AGENCY

RESIDENTIAL FINANCE PROGRAM BOND

ISSUE 2026-1[A][B][C] [(Non-AMT)][Federally Taxable]

Interest Rate	Dated Date	Maturity Date	Cusip
[___]%	[_____], 2026	[_____]	880461[___]

REGISTERED OWNER:CEDE & CO.

PRINCIPAL SUM: [_________]

TENNESSEE HOUSING DEVELOPMENT AGENCY (hereinafter sometimes called "THDA"), a body politic and corporate and a political subdivision of the State of Tennessee (herein called the "State"), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner (shown above), or registered assigns, the principal sum (shown above), on the maturity date specified above, and to pay interest on said principal sum to the Registered Owner of this Bond from the dated date hereof until THDA's obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above payable on each January 1 and July 1 commencing [________]. The principal of and interest on this Bond are payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee in any coin or currency of the United States of America, which, on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

This Bond is one of the bonds of THDA designated "Residential Finance Program Bonds" (herein called the "Bonds") authorized to be issued in various series under and pursuant to the Tennessee Housing Development Agency Act, Sections 13-23-101 et seq., of the Tennessee Code Annotated, as amended (herein called the "Act"), a resolution of THDA adopted January 29, 2013, as amended and supplemented by the Bond Finance Committee on April 18, 2013, and entitled "General Residential Finance Program Bond Resolution" (herein called the "General Resolution") and a supplemental resolution authorizing each issue. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of bonds additionally designated "Issue 2026-1[A][B][C]" (herein called the "Bonds") issued in the aggregate principal amount of $[________] under the General Resolution, a resolution of THDA adopted on January 27, 2026, as approved in its amended and supplemented form by the Designated Authorized Officer on [___________ __], 2026 (collectively with the General Resolution, the "Resolutions"). Copies of the Resolutions are on file at the office of THDA in Nashville, Tennessee and at the principal corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee, as trustee under the General Resolution (said trustee under the General Resolution being called herein the "Trustee") and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by THDA with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. If such modification or amendment will by its terms not take effect so long as any Bonds of any specified like series and maturity remain outstanding, however, the consent of the holders of such Bonds shall not be required. In addition, certain other modifications or amendments to the Resolutions can be made which are not contrary to or inconsistent with the Resolutions without the consent of the Bondholders.

The holder of this Bond shall have no right to enforce the provisions of the Resolutions, to institute actions to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This Bond is transferable, as provided in the Resolutions, only upon the books of THDA kept for that purpose at the office of the Trustee by the registered owner hereof in person or by such owner's attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner's attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same subseries and maturity shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. THDA and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special limited obligation of THDA payable solely from the revenues and assets pledged therefor pursuant to the General Resolution.

The Bonds are issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

The Bonds are subject to optional, mandatory and sinking fund redemption as described in the Resolutions.

This Bond does not constitute a debt, liability or other obligation of the State or any political subdivision thereof other than THDA and neither the State nor any political subdivision thereof shall be obligated to pay the principal of the Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

The Act provides that neither the members of THDA nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution or statutes of the State and the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Bonds, together with all other indebtedness, of THDA, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, TENNESSEE HOUSING DEVELOPMENT AGENCY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Executive Director, all as of the dated date shown above.

TENNESSEE HOUSING DEVELOPMENT AGENCY

By ________________________________

Rick Neal
Chair

[SEAL]

Attest:

By ________________________________

Ralph M. Perrey
Executive Director

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Residential Finance Program Bonds, Issue 2026-1[A][B][C] [(Non-AMT)][(Federally Taxable)] of the Tennessee Housing Development Agency.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By ____

Authorized Signatory

Dated: ___________ __, 2026

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - ______________________ Custodian ______________________

(Cust) (Minor)

under Uniform Gifts to Minors

Act ____________________________

(State)

Additional Abbreviations may also be used though
not in the above list

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto ____________ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ____________, attorney to transfer the said Bond on the bond register, with full power of substitution in the premises.

Dated: ____

Social Security Number or
Employer Identification
Number of Transferred: ____

Signature guaranteed: ____

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

EXHIBIT D

REFUNDED BONDS

A Resolution of the Board of Directors of the Tennessee Housing Development Agency Authorizing Reimbursement of THDA from Proceeds of Issue 2026-1 Adopted January 27, 2026

WHEREAS, the Tennessee Housing Development Agency ("THDA") is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and the General Residential Finance Program Bond Resolution, (the "2013 General Resolution"); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Residential Finance Program Bonds, Issue 2025-2, if and when issued and sold (the "Bonds"), through the direct purchase of eligible mortgage loans; and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the "Closing"); and

WHEREAS, THDA expects that up to $100,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW, Therefore, Be It Resolved by the Board of Directors of the Tennessee Housing Development Agency That:

1. Use of proceeds from the Bonds in an amount not to exceed $100,000,000 shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the

requirements of the Code and the 2013 General Resolution.

2. This resolution shall take effect immediately.

Board of Directors Meeting

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

THDA Board of Directors Board Meeting Agenda

(directly following Bond Finance Committee Meeting)

Tuesday, February 17, 2026 at 10:00am CT

TN Room #2, Tennessee Towers

312 Rosa L. Parks Avenue, 3rd Floor

Nashville, TN 37243

A. **Board Chair Convening of the Board and Introductory Comments**

B. **Public Comment Period**

C. **Executive Director's Report**

D. **Housing Needs Assessment**

Andrew Jackson Building Third Floor

502 Deaderick St. | Nashville, TN 37243

THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

E. Chief Information Officer Update

Cybersecurity Update

F. CFO Update

Financial Status Update

G. Single Family Business

Business Update

H. Multifamily Business

Business Update

I. Board Action Items (* items require board vote)

1. Approval of Minutes from November 18, 2025 meeting*
2. Fiduciary Responsibility of Board Members
3. Bond Issue 2026-1*
4. Additional Line of Credit*
5. Housing Cost Index and Resolution*
6. Housing Choice Voucher Administrative Plan Update*
7. Project-Based Voucher Request for Proposals for Davidson County*
8. 2021 National Housing Trust Fund– Grant Extension – AIM Center Espero & HOME-ARP*
9. 2023 National Housing Trust Fund and the Reservation of Funds – Grant Extension – Highlands Residential Services, Redbud Village*

Andrew Jackson Building Third Floor
502 Deaderick St. | Nashville, TN 37243
THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

J. Annex

1. THDA Financial Statement – September 30, 2025
2. THDA Audited Financial Statements – June 30, 2025

Andrew Jackson Building Third Floor

502 Deaderick St. | Nashville, TN 37243

THDA.org | (615) 815-2200 | Toll Free: 800-228-THDA

Tennessee Housing Development Agency

Board of Directors

Chief Financial Officer Update

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor
502 Deaderick St., Nashville, TN 37243

Bill Lee
Governor

Ralph M. Perrey
Executive Director

TO: THDA Board of Directors

FROM: Michell Bosch, CTP, CFA
Chief Financial Officer

DATE: February 17, 2026

SUBJECT: Financial Status Update – Report from the CFO

Executive Summary

Since the November meeting, management has continued to monitor the Agency's financial position, risk exposures, and execution priorities. There are no developments that materially alter the financial position reported in the September 30, 2025, quarter-end financials. The fiscal year ended June 30, 2025, financial statements have received a clean financial audit from the office of the TN Comptroller of the Treasury's State Audit Division. We have also completed the State's Single Audit.

Liquidity remains sufficient to support current operations and anticipated near-term activity. Cash flows and funding sources continue to perform in line with expectations. Market conditions remain dynamic, particularly with respect to interest rate volatility and funding markets. Management continues to monitor rate exposure, loan production and funding capacity.

Work continues on key finance and capital markets related initiatives previously discussed with the Board. Looking ahead to the year, management is focused on liquidity, flexibility, monitoring market-driven impacts to volume and margins and ensuring operational readiness. Forecast assumptions remain consistent with prior expectations, subject to normal market volatility.

Financial Reporting - in thousands of USD 12 Months Ending	FY 2023 06/30/2023	FY 2024 06/30/2024	FY 2025 06/30/2025	Quarterly
Period End Date	**06/30/2023**	**06/30/2024**	**6/30/2025**	**9/30/2025**
Statement of Changes in Net Position				
Revenue	**177,606**	**253,792**	**262,796**	**67,607**
Total Operating Expenses	**-156,125**	**-182,283**	**-223,195**	**-51,658**
Non-Operating Income and Expenses	**-8,994**	**-8,054**	**-6,979**	**-2,215**
Change in Net Assets	**12,487**	**63,455**	**32,622**	**13,734**
Net Assets Beginning	558,943	571,430	632,338	664,960
Net Assets Ending	571,430	634,885	664,960	678,694
Statement of Net Position				
Total Current Assets	**664,393**	**1,081,858**	**1,090,256**	**926,747**
Total Non-Current Assets	**2,986,013**	**3,577,572**	**3,796,670**	**3,828,681**
Deferred Outflows	**7,520**	**7,182**	**4,981**	**4,967**
Total Assets	**3,657,926**	**4,666,612**	**4,891,907**	**4,760,395**
Total Current Liabilities	**171,330**	**269,563**	**355,779**	**250,150**
Long Term Debt	2,749,363	3,604,128	3,711,040	3,670,461
Other	163,919	156,505	157,567	158,529
Total Noncurrent Liabilities	**2,913,282**	**3,760,633**	**3,868,607**	**3,828,990**
Deferred Inflows	**1,884**	**1,531**	**2,561**	**2,561**
Invested Capital Assets Net Debt	5,375	4,595	3,194	3,193
Restricted Net Assets	487,492	581,508	602,238	633,260
Unrestricted Net Assets	78,563	48,782	59,528	42,241
Net Position	**571,430**	**634,885**	**664,960**	**678,694**
	3,657,926	**4,666,612**	**4,891,907**	**4,760,395**
Statement of Cash Flows				
Cash From Operations	**-78,854**	**-276,276**	**120,527**	**-10,684**
Cash from Investing Activities	**-28,480**	**-292,963**	**-131,012**	**291,318**
Cash from Financing Activities	**-102,870**	**806,220**	**52,393**	**-173,948**
Net Changes in Cash	**-210,204**	**236,981**	**41,908**	**106,686**
Cash & Cash Equivalents - Beginning Balance	616,179	405,975	642,956	684,864

Cash & Cash Equivalents - End Balance	405,975	642,956	684,864	791,550

Source: THDA Accounting

The annual audited financial statements for fiscal year 2025 and the quarter-end September 30, 2025, financials are included in the Annex.

Board Items

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TENNESSEE HOUSING DEVELOPMENT AGENCY

BOARD OF DIRECTORS MEETING MINUTES

November 18, 2025

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency (THDA) Board of Directors (the "Board") met in regular session on Tuesday, November 18, 2025, at 10:15 AM CT in the Nashville Room of the Tennessee Towers, Nashville, Tennessee.

The following board members were present in person: Chairman Rick Neal, Stephen Dixon, Micheal Miller, Corey Divel, Eva Romero, Hancen Sale, Rob Mitchell, Secretary of State Tre Hargett, Treasurer David Lillard, Katie Armstong (for Comptroller Jason Mumpower), and Alex Schuhmann (for Commissioner Jim Bryson).

Chairman Neal welcomed the Board and congratulated Ralph Perrey on his appointment to the National Housing Crisis Task Force.

Next, Chairman Neal opened the floor to anyone present from the public who wished to address the Board. Seeing none, Chairman Neal closed the floor to public comment.

Chairman Neal then recognized Executive Director Ralph M. Perrey for his report.

Mr. Perrey shared the following:

- For the most part, federal programs administered by THDA were not affected by the government shutdown, though certain items requiring signoff from a federal official have been slowed.
- Mortgage production remains slow for reasons we have often mentioned this year: inventory of starter homes is low, prices remain high, hiring is slowing, and consumer confidence is reported to be down.

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- THDA received no Findings from Treasury as part of their monitoring of the Emergency Rental Assistance (ERA-2) program and is working to complete the final reporting required for the COVID-era program that is due January 31, 2026.

At the conclusion of Mr. Perrey's remarks, Chairman Neal recognized Ms. Michell Bosch, Chief Financial Officer, for a Financial Status update.

Then Chairman Neal recognized Ms. Lindsay Hall, the Chief Operating Officer of Single-Family Loan Programs, for a Single-Family Programs Business update that included a report on Real Estate Owned Status of 32 properties totaling $4.55 million.

Next, Chairman Neal recognized Mr. Eric Alexander, Director of Multifamily Programs, for a Multifamily Programs Business Update.

Chairman Neal then asked for consideration of the September 23, 2025, board meeting minutes. Upon motion by Mr. Divel and a second by Ms. Romero, the motion carried, and the minutes were approved.

Next, Chairman Neal brought to the Board a recommendation from the Bond Finance Committee, in the form of a motion and a second, the approval of the Amendment to Bond Issue 2025-3. Upon vote by the full Board, the motion to approve the Amendment to Bond Issue 2025-3 was carried out.

Chairman Neal asked for approval of the suggested 2026 Board meeting schedule and explained the vision for the upcoming year to have both in person decision-oriented meetings and virtual information-oriented meetings. Upon motion by Mr. Dixon and a second by Mr. Mitchell, the motion carried.

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Then, Chairman Neal recognized Mr. Eric Alexander, Director of Multifamily Programs, to present an overview of the 2026 Bond Program, as outlined in the memo dated November 3, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Upon motion by Mr. Miller and a second by Ms. Romero, the motion to approve the 2026 Bond Program was carried.

Chairman Neal again recognized Mr. Eric Alexander, Director of Multifamily Programs, for an overview of the National Housing Trust Fund program description as outlined in the memo dated November 3, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Mr. Miller asked if there were issues with rural developments accessing the funding. Mr. Alexander explained that rural and supportive housing developments would still receive the first priority, and the funds would only be made available to urban developments if there were not enough rural or supportive housing demand. Upon motion by Mr. Miller and a second by Ms. Romero, the motion to approve the National Housing Trust Fund program description was carried.

Chairman Neal then recognized Mr. Bill Lord, Director of Community Housing, for an overview of the Tennessee Housing Trust Fund Competitive Grants program description, as outlined in the memo dated November 3, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Mr. Dixon inquired about what the maximum award could be, and Mr. Lord answered $600,000. Upon motion by Treasurer Lillard and a second by Mr. Sale, the motion to approve the Tennessee Housing Trust Fund Competitive Grants program description was carried.

Then, Chairman Neal recognized Mr. Bill Lord, Director of Community Housing, for an overview of the Grant Extension request from Cleveland Bradley Housing Corporation, as outlined in the memo dated November 3, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Upon motion by Treasurer Lillard and a second by Mr.

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Mitchell, the motion to approve the Grant Extension request from Cleveland Bradley Housing Corporation was carried.

Next, Chairman Neal recognized Mr. Bill Lord, Director of Community Housing, for an overview of the Grant Extension request from Knoxville Leadership Foundation. Upon motion by Mr. Miller and a second by Ms. Romero, the motion to approve the Grant Extension request from Knoxville Leadership Foundation was carried.

Chairman Neal again recognized Mr. Bill Lord, Director of Community Housing, for an overview of the Grant Extension request from Tennessee Housing Trust Fund Competitive Grant from Project Return. Mr. Lord introduced Mr. Ben Butler, Housing Director, and Ms. Kelsey Hall, Interim Executive Director, for Project Return for comments. Mr. Butler explained that Project Return has submitted a corrective action plan to Metro to address issues associated with Metro funding. Mr. Mitchell asked how much money THDA had in the project. Mr. Butler answered $537,000. Upon motion by Mr. Mitchell and a second by Mr. Schuhmann, the motion to approve the Grant Extension request from Tennessee Housing Trust Fund Competitive Grant from Project Return was carried.

Next, Chairman Neal recognized Mr. Eric Alexander, Director of Multifamily Programs, for an overview of the Tax Credit Request for Purdy Place Apartments, as outlined in the memo dated November 17, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Mr. Alexander explained that THDA has 2025 credits available to provide up to $510,679 in additional competitive Low Income Housing Tax Credits to Purdy Place Apartments, to the extent they may be needed and that the project may be eligible. Upon motion by Mr. Dixon and a second by Mr. Miller, the motion to approve possible additional tax credits to Purdy Place Apartments, if required and deemed eligible, was carried.

Finally, Chairman Neal recognized Mr. Eric Alexander, Director of Multifamily Programs, for an overview of the Tax Credit Exchange Request for West Way Phase II, as outlined in the

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memo dated November 17, 2025, by himself and Don Watt, Chief Programs Officer, as found in the board packet. Upon motion by Mr. Dixon and a second by Ms. Romero, the motion to approve the Exchange Request for West Way Phase II was carried.

Noting that all action items for the Board were completed, Chairman Neal acknowledged additional board materials in the Annex.

With no further business, the meeting was adjourned at 11:24 AM CT.

Respectfully submitted,

Ralph M. Perrey

Executive Director

Approved this 27th day of January 2026

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

TO: THDA Board of Directors

FROM: Lindsay Hall, Chief Operating Officer of Single-Family Programs

DATE: January 13, 2026

SUBJECT: Request to Increase the Line of Credit

Recommendation

Staff recommends an increase to the line(s) of credit utilized to purchase mortgage loans to $100 million. THDA utilizes two lines of credit in its mortgage program. This ensures our lenders, insurers and guarantors that loans will be purchased timely and funds for this purpose are readily available.

Background

As THDA increases the use of mortgage-backed securities, loans are purchased using the line of credit. After purchasing a loan with the line of credit that loan will not be pooled and securitized for three to four weeks. By increasing the line of credit limit, THDA can ensure that loans are purchased from the lenders timely and there will be enough available funds to ensure that if necessary 45-60 days of loan volume can be purchased.

THDA's goal is to increase the mortgage-backed securities execution to provide the agency with a variety of options to purchase eligible mortgage loans while at the same time managing the debt limit.

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Tennessee Housing Development Agency

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Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

TO: THDA Board of Directors

FROM: Dr. Hulya Arik, Senior Economist
Dr. Dhathri Chunduru, Director of Research and Planning

DATE: December 16, 2025

SUBJECT: Housing Cost Index for 2026

Recommendation

Staff recommends adoption of the housing cost index (HCI) for 2026 via the attached Board Resolution.

The HCI for 2026 is **40.72 percent**, which is lower than last year's index of 45.48 percent. Slow down in median home purchase price and stable mortgage interest rate resulted in monthly cost of homeownership remain unchanged from the previous year while increasing median income contributed to the declining burden of owning a home for Tennesseans.

Background

The attached HCI for 2026 is prepared in accordance with the formula set out in THDA's enabling legislation. Under Tennessee Code Annotated Section 13-23-114, "The housing cost index shall serve to determine what percentage of the average Tennessee household's gross monthly income is required to pay for primary fixed housing costs under then existing market conditions…" If the housing cost index exceeds 25 percent, the legislature determined that "…a majority of Tennessee citizens are excluded from the normal housing market…" indicating a need for THDA financial assistance programs to aid in providing adequate housing for lower and moderate-income persons and families.

This HCI is calculated by dividing the median gross household income by the sum of the following cost factors: (a) a monthly mortgage loan payment for an average Tennessee household based on a 30-year mortgage loan at the prevailing mortgage loan interest rate on a mortgage loan amount sufficient to purchase a median priced home, (b) an average mortgage insurance premium, and (c) the average property tax and hazard insurance amounts.

ESTIMATED TENNESSEE HOUSING COST INDEX, 2026										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
(1) Median Price	$186,358	$201,021	$211,257	$223,125	$248,645	$297,318	$334,197	$337,415	$358,561	$358,366
(2) Discount Points	0.54	0.50	0.50	0.52	0.73	0.70				
(3) Market Rate	3.92%	4.17%	4.63%	4.01%	3.20%	2.90%	5.16%	6.76%	6.72%	6.63%
(4) Adj. Sales Price	$187,359	$202,026	$212,313	$224,278	$250,462	$299,399	$334,197	$337,415	$358,561	$358,366
(5) FHA Mort. Amount	$183,965	$198,367	$208,468	$220,216	$245,926	$293,977	$328,144	$331,304	$352,066	$351,875
(6) Property Tax Rate	3.20	3.19	3.10	3.03	2.98	2.86	2.77	2.32	2.15	2.09
(7) Property Tax	$124	$133	$136	$141	$154	$177	$193	$163	$160	$156
(8) Hazard Insurance	$116	$127	$134	$132	$147	$156	$171	$170	$190	$214
(9) P&I/Month	$870	$966	$1,072	$1,053	$1,064	$1,223	$1,794	$2,151	$2,276	$2,254
(10) Monthly PITI	$1,111	$1,227	$1,342	$1,325	$1,365	$1,556	$2,157	$2,483	$2,627	$2,625
(11) Gross Income	$47,275	$49,585	$54,566	$55,471	$58,070	$59,385	$67,701	$67,055	$69,326	$77,361
Housing Cost Index										
(% of Gross Income)	**28.19%**	**29.70%**	**29.52%**	**28.67%**	**28.20%**	**31.44%**	**38.24%**	**44.44%**	**45.48%**	**40.72%**

Variable description, including sources and methodology:

1. **Median Price:** For the 2026 HCI, median purchase price is calculated from all home sales reported by county property assessors to Tennessee Office of the Comptroller. We then adjust this estimate using the Federal Housing Finance Agency (FHFA) quarterly House Price Index (HPI) for the third quarter of the year prior to index year. For example, for the 2026 HCI, the 2024 median home price is adjusted using the third quarter of 2025 HPI from FHFA.
2. **Discount Points:** As of November 17, 2022, Freddie Mac stopped reporting the average fees and points because under the current LPA requirements, fees and points are not always required to be provided by lenders. Since there is no other reliable and publicly available source for fees and discount points, the 2026 HCI calculations do not include discount points and fees,

a departure from prior years. The implications include a potential underestimation of true housing cost, as we assume that homebuyers finance the cost of discount points.

3. **Market Rate:** Data regarding the average of weekly interest rates (2025 year to date) are from Freddie Mac PMMS®. In their November 17th, 2022 release, Freddie Mac updated its mortgage rate collection process. Rather than of surveying lenders, Freddie Mac used data from Loan Product Advisor® (LPASM). Therefore, the PMMS® results are now based on mortgage rates collected from thousands of loan applications submitted to Freddie Mac from lenders across the country when a borrower applies for a mortgage.[1]Additionally, unlike previous years, the interest rate data is released weekly. Therefore, the average interest rate is the average of weekly rates as of the most recent date the interest rate data was released.
4. **Adj. Sales Price:** This value is the median Purchase Price adjusted with discount points. However, since there was no data for discount points for 2026 HCI calculations, this is equivalent to median purchase price.
5. **FHA Mort. Amount:** The value is the average FHA mortgage amount for 2026. This assumes a 3.5% downpayment and includes an upfront mortgage insurance premium financed into the final mortgage (1.75% of the base loan amount).
6. **Property Tax Rate:** Tax rate data are from the Tennessee Office of the Comptroller, Division of Property Assessment.
7. **Property Tax**: The monthly property tax is the weighted average statewide residential effective tax rates per $100 of assessed value; 25% of assessed value.
8. **Homeowner Insurance:** This value is homeowners' monthly insurance payments, based on the insurance rates of THDA borrowers.
9. **P&I / Month:** This value is monthly principal and interest (P&I) payments, assuming 30-year fixed payments with the average interest rate.

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[1] For more information, please reference a recent Research Note from Freddie Mac explaining the new enhanced methodology, which can be retrieved here: https://www.freddiemac.com/research/pdf/202210-Note-PMMS-07.pdf.

10. **Monthly PITI:** Monthly fixed housing costs include principal, interest, property tax and insurance (PITI).
11. **Gross Income:** This value is calculated using median family gross income (MFI) and median household income (MHI) data from the 2024 1-year estimates of the American Community Survey (ACS). To estimate the MHI for 2025, we calculate the percentage change in HUD median family income (MFI) from 2024 to 2025.

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee | **Ralph M. Perrey**

Governor | **Executive Director**

TO: THDA Board of Directors

FROM: Jeboria Scott, Director, Rental Assistance

Don Watt, Chief Program Officer

DATE: January 12, 2026

SUBJECT: Summary of Public Comments Received for Changes to THDA's Administrative Plan and Submission Authorization Request to the State Office of the Attorney General

Recommendation

Staff recommends that the Board approve the mandatory regulatory and discretionary amendments to THDA's Administrative Plan for the Housing Choice Voucher (HCV) and Project-Based Voucher (PBV) Programs following completion of the public comment process and authorize the submission of the amendments to the Office of the Attorney General for the State of Tennessee for review and completion of the Rule-Making process.

Key Points:

- In September 2025, the Board approved proposed revisions to THDA's Administrative Plan for the HCV and PBV Programs to incorporate required regulatory updates and discretionary policy changes.
- In accordance with the U.S. Department of Housing and Urban Development (HUD) requirements, THDA conducted a public hearing to receive comments on the proposed amendments. The Public Hearing was held on Monday, November 17, 2025, at 10:00 AM CT, in the TN Tower in the Knoxville Room, as a hybrid meeting to ensure all interested parties could access the meeting.
- Those in attendance (virtually) included: Katrina Shepherd, Carpenter Law, PLLC and Kate Roberts, McMahan, Winstead, & Richardson. Those in attendance (in-person) included: THDA employees - Janie Harris, Pasquel McLeod, Zelinka Randle, Jenia Tortora, and Charity Williams.
- No public comments were received. The Public Hearing formally concluded at 11:30 AM CT.
- No changes to the proposed policy revisions have been made since the Board's adoption of the proposed revisions in September.
- Upon Board approval, the proposed chapter will be submitted to the Tennessee Attorney General's Office for promulgation in accordance with the state's rule-making process.

Background:

The HCV Program is a federal rental assistance program funded through HUD that provides rental assistance to eligible very low-income households to afford decent, safe and sanitary housing in the private market. Federal program requirements are outlined at 24 CFR Part 982. THDA implements the HCV Program across 72 of Tennessee's 95 counties. In accordance with 24 CFR 982.54, THDA must maintain a written Administrative Plan that establishes local policies for administration of the program in accordance with HUD requirements and sets PHA policy on matters for which the PHA has set discretion to establish policies. The Administrative Plan and any revisions of the plan must be formally adopted by the THDA Board.

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Tennessee Housing Development Agency

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502 Deaderick St., Nashville, TN 37243

Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

TO: THDA Board of Directors

FROM: Jeboria Scott, Director, Rental Assistance

Don Watt, Chief Program Officer

DATE: January 12, 2026

SUBJECT: Authorization to Issue Project-Based Voucher Request for Proposals in Davidson County

Recommendation:

Staff recommends that the Board authorize THDA to issue a competitive Request for Proposals (RFP) and award approximately 150 project-based vouchers (PBV) in Davidson County.

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Key Points:

- The Metropolitan Development and Housing Agency (MDHA) requested support from THDA through the allocation of PBVs in Davidson County for the development of affordable housing financed through resources administered by THDA.
- Davidson County is outside the 72-county service area of THDA's Housing Choice Voucher (HCV) service area; however, HUD regulations permit the allocation of PBVs outside THDA's service area upon issuance of an agreement between THDA and the HCV administering PHA for that county, MDHA.
- THDA's Administrative Plan permits the selection of PBV proposals through a competitive RFP process.
- HUD regulations allow a public housing authority to issue a PBV RFP within a defined geographic area, including a specific county, provided that the solicitation does not limit proposals to a single site or impose restrictions that explicitly or effectively preclude the submission of proposals for PBV housing on different sites.
- Issuing a competitive RFP for Davidson County complies with these requirements and does not impose impermissible site-specific limitations, and responds to a demonstrated affordable housing need within the county.
- The proposed RFP will clearly outline eligibility criteria, selection standards, and submission requirements for qualified affordable housing developments within Davidson County. Public notice of the competitive opportunity will be provided through standard publication

methods, including website posting or other appropriate means, and will specify the application deadlines and all applicable requirements.

Background:

- THDA's Administrative Plan for the HCV Program outlines that THDA has chosen to take a percentage of its authorized units under its Consolidated Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD) and attach the funding to specific units (project-base the units) instead of using it for tenant-based vouchers under its Housing Choice Voucher (HCV) Program. This is known as the Project-Based Voucher (PBV) Program and its rule is codified at 24 C.F.R. 983.

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee **Ralph M. Perrey**

Governor **Executive Director**

TO:	THDA Board of Directors
FROM:	Bill Lord, Director of Community Housing
	Don Watt, Chief Program Officer
DATE:	January 12, 2026
SUBJECT:	Extension Request for AIM Center Espero project – NHTF 21- 2

Recommendation:

Staff recommends approval of an amendment to the NHTF–21-02 written agreement with the AIM Center for the development of the Espero Chattanooga project, providing a six-month extension to the current termination date.

Key Points:

The request is being made due to delays in initial project construction, including issues involving the installation of sewer infrastructure exasperated by an exceptionally wet spring season. This project is now moving well and is nearing completion.

This is the second extension request for this project. The original agreement end date was June 30, 2024. The Board approved a 20-month extension in May 2024, extending the term to February 28, 2026, due to construction cost increases following COVID and the need to secure additional project financing. If approved, this second request would extend the term to August 28, 2026.

Background:

The Espero Chattanooga project is a 60-unit permanent supportive housing development for very low-income households. The Chattanooga Housing Authority has allocated 60 project-based vouchers to the project. The project is working cooperatively with the Chattanooga Homeless Coalition and the Hamilton County's Sheriff's Office Frequent Users System Engagement (FUSE) Initiative.

The AIM Center received an award of $1,500,000 under the 2021 NHTF Program Description and an award of $2,500,000 under the HOME-ARP Rental Housing Development Program Description to develop Espero Chattanooga. The 15 units funded under the NHTF will be reserved for extremely low-income households and the 19 HOME-ARP units will be reserved for eligible Qualifying Populations.

The project also received a $10.7M allocation of bond authority under THDA's 2023 Multifamily Tax-Exempt Bond Authority Program.

The AIM Center has also requested a first-time, six-month extension of the HOME-ARP written agreement for this project. Pending the outcome of the Board's decision on the NHTF extension request, the THDA Executive Director will make a similar decision specific to the HOME-ARP request.

December 2, 2025

Dear THDA Board,

The AIM Center respectfully requests a six-month extension for Contract NHTF-21-02, funding for the Espero Chattanooga project. Early in the construction phase, unforeseen complications with underground sewer infrastructure and an exceptionally wet spring contributed to initial delays. These issues have since been fully resolved, and our contractor has implemented lean construction practices to recover lost time and maintain project momentum.

Substantial progress has been made, and construction completion is now anticipated for late spring to early summer 2026. To ensure adequate time for project completion and final closeout, we request to extend the contract expiration date from February 28, 2026, to August 28, 2026.

Anna Protano-Biggs will attend the upcoming THDA Board meeting to represent The AIM Center regarding this request.

Thank you for your continued partnership and consideration. We remain deeply appreciative of THDA's support in making Espero Chattanooga a reality for our community.
Sincerely,

Best,

Anna Protano Biggs

Anna Protano-Biggs
President and CEO

Tennessee Housing Development Agency

Andrew Jackson Building Third Floor

502 Deaderick St., Nashville, TN 37243

Bill Lee	**Ralph M. Perrey**
Governor	**Executive Director**

TO: THDA Board of Directors

FROM: Bill Lord, Director of Community Housing

Don Watt, Chief Program Officer

DATE: January 12, 2026

SUBJECT: Extension Requests for Highland Residential Services – Redbud Village project - NHTF-23- 01 and HMA-22-02

Recommendation:

Staff recommends approval of amendments to the grant agreement under the 2023 National Housing Trust Fund (NHTF) program and the Reservation of Funds under the HOME-ARP (HMA) program with Highlands Residential Services for the Redbud Village project, extending the termination date of NHTF-23-01 from July 31, 2026 to July 31, 2027 and HMA-22-02 from April 14, 2026 to July 31, 2027.

Key Points:

- Highland Residential Services is developing the 20-unit Redbud Village project in Cookville that will provide rental housing for formerly homeless, extremely low-income households.
- This is the first extension request under both funding awards.
- The request is being made due to increases in construction costs realized in higher-than-expected construction bids opened in March 2025 and the subsequent need for additional funding to close the funding gap. Highland Residential Services applied for a grant through the Federal Home Loan Bank in July 2025; however, that funding was not approved. The grantee is currently seeking final project funding needed. Once secured, construction is expected to take seven months.

Background:

Highland Residential Services was initially granted a NHTF award of $1.5M in the 2023 NHTF round following an award of $2.5M in 2022 from the initial round of HOME ARP funding for the same project.

HIGHLANDS
RESIDENTIAL SERVICES

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WILLOW HEIGHTS
931.520.7802

EQUAL HOUSING OPPORTUNITY

December 3, 2025

Aaron Toran, Housing Program Manager
Tennessee Housing Development Agency
502 Deaderick Street, Second Floor
Nashville, Tennessee 37243

Subject: Grant Contract Extension Request – NHTF-23-01

I am writing to formally request a 12-month extension on behalf of Highlands Residential Services for NHTF-23-01 Redbud Village (expiration date of July 31, 2026) for the new construction of twenty units that specifically target homeless individuals, those at risk of homelessness, and those fleeing domestic violence.

Our original plan for funding this development included HOME-ARP, NHTF, City of Cookeville, HRS funds, and carrying a small mortgage if necessary. Once the construction plans were completed, we bid out the project and opened bids on March 25, 2025. Bids were significantly higher than expected, which made additional funding a necessity. In July of 2025, we applied for a grant from the Federal Home Loan Bank of Cincinnati.

We were recently notified by FHLB that our application was not funded this year and have already begun the search for additional funding. Once the project is fully funded, we expect construction to take no more than seven months.

We remain committed to fully funding and completing this project. To this end, I respectfully request a 12-month extension to July 31, 2027, to allow for time to finalize all funding mechanisms and complete construction.

Please let me know if you need any additional information or documentation to facilitate this request. Thank you for your time and assistance in this matter.

Sincerely,

Chris Cassetty
Chris Cassetty
Executive Director

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EQUAL HOUSING OPPORTUNITY

December 3, 2025

Aaron Toran, Housing Program Manager
Tennessee Housing Development Agency
502 Deaderick Street, Second Floor
Nashville, Tennessee 37243

Subject: Grant Contract Extension Request – HMA-22-02

I am writing to formally request a 12-month extension on behalf of Highlands Residential Services for HMA-22-02 Redbud Village (expiration date of April 14, 2026) for the new construction of twenty units that specifically target homeless individuals, those at risk of homelessness, and those fleeing domestic violence.

Our original plan for funding this development included HOME-ARP, NHTF, City of Cookeville, HRS funds, and carrying a small mortgage if necessary. Once the construction plans were completed, we bid out the project and opened bids on March 25, 2025. Bids were significantly higher than expected, which made additional funding a necessity. In July of 2025, we applied for a grant from the Federal Home Loan Bank of Cincinnati.

We were recently notified by FHLB that our application was not funded this year and have already begun the search for additional funding. Once the project is fully funded, we expect construction to take no more than seven months.

We remain committed to fully funding and completing this project. To this end, I respectfully request a 12-month extension to April 14, 2027, to allow for time to finalize all funding mechanisms and complete construction.

Please let me know if you need any additional information or documentation to facilitate this request. Thank you for your time and assistance in this matter.

Sincerely,

Chris Cassetty
Executive Director

Annex

Tennessee Housing Development Agency

UNAUDITED FINANCIAL INFORMATION

September 30, 2025

I, Michell Bosch, hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.

Michell Bosch — December 29, 2025

Signature — Date

If you are a person with a disability and need an accessible version of this document, please contact THDA's 504 Coordinator at RARequest@thda.org

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

	September 30, 2025				
	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
ASSETS					
Current assets:					
Cash and cash equivalents	$ 114,778	$ 24,281	$ 2,995	$ 591,969	$ 734,023
Investments	-	-	-	994	994
Investment in Real Estate Owned (REO) properties	-	-	-	5,558	5,558
Receivables:					-
Accounts	8,139	68	25	-	8,232
Interest	23	6	187	19,543	19,759
Loans held for resale	4,311	-	-	-	4,311
First and second mortgage loans	-	2,638	1,670	79,615	83,923
Other	-	-	-	-	-
Due from federal government	34,308	-	-	-	34,308
Due from other state funds	5,252	-	-	-	5,252
Due from other funds	-	-	-	30,387	30,387
Prepaid expenses	-	-	-	-	-
Total current assets	166,811	26,993	4,877	728,066	926,747
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	36,991	-	5,010	15,526	57,527
Investments	-	-	910	95,481	96,391
Investment interest receivable	-	-	-	541	541
Investments	-	-	-	416,328	416,328
First mortgage loans receivable	8	49,085	35,130	3,008,958	3,093,181
Allowance for non-performing first mortgage loans	-	-	(12)	(355)	(367)
Second mortgage loans receivable	-	-	-	136,236	136,236
Allowance for uncollectable second mortgages	-	-	-	(5,214)	(5,214)
Unamortized service release premium of					-
in-house mortgages	1,792	-	-	25,313	27,105
Unearned service release premium	3,631	-	-	-	3,631
Advance to local government	3,146	-	-	-	3,146
Allowance for doubtful accounts	(3,146)	-	-	-	(3,146)
Net pension asset	-	-	-	-	-
Net OPEB asset	128	-	-	-	128
Capital assets:					-
Furniture and equipment	16,058	-	-	-	16,058
Less accumulated depreciation	(12,864)	-	-	-	(12,864)
Total noncurrent assets	45,744	49,085	41,038	3,692,814	3,828,681
Total assets	212,555	76,078	45,915	4,420,880	4,755,428
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	21	21
Deferred outflows related to pensions	3,902	-	-	-	3,902
Deferred outflows related to OPEB	228	-	-	-	228
Deferred outflows related to defeased bonds	-	-	-	816	816
Total deferred outflows of resources	4,130	-	-	837	4,967

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

	September 30, 2025				
	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
LIABILITIES					
Current liabilities:					
Accounts payable	3,105	12	-	2,759	5,876
Accrued payroll and related liabilities	1,127	-	-	-	1,127
Investments purchased	-	-	-	-	-
Compensated absences	1,583	-	-	-	1,583
Total OPEB liability		-	-	-	-
Due to primary government	-	-	-	-	-
Due to federal government	-	-	-	-	-
Interest payable	14	-	247	38,886	39,147
Escrow deposits	21,439	-	-	-	21,439
Prepayments on mortgage loans	5	-	24	1,991	2,020
Notes payable (net of deferred amount on		-			-
refundings)	-	-	-	-	-
Line of credit payable	4,061	-	-	-	4,061
Due to federal government	-	-	-	-	-
Advance on bond sale	-	-	-	-	-
Due to other governments	-				-
Due to other funds	30,387	-	-	-	30,387
Notes payable	-		-	-	-
Bonds payable	-	-	2,430	142,080	144,510
Arbitrage rebate payable	-	-	-	-	-
Total current liabilities	61,721	12	2,701	185,716	250,150
Noncurrent liabilities:					
Notes payable	-	-	-	-	-
Bonds payable	-	-	26,289	3,644,172	3,670,461
refundings	-	-		-	-
Compensated absences	4,016	-	-	-	4,016
Net pension liability	2,107	-	-	-	2,107
Total OPEB liability	-	-	-	-	-
Escrow deposits	21,979	72	-	5	22,056
Arbitrage rebate payable	-	-	-	1,944	1,944
Unearned revenue	112,053	883	-	15,470	128,406
Total noncurrent liabilities	140,155	955	26,289	3,661,591	3,828,990
Total liabilities	201,876	967	28,990	3,847,307	4,079,140
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	-	-	-	-
Deferred inflows related to pensions	1,100	-	-	-	1,100
Deferred inflows related to OPEB	1,461	-	-	-	1,461
Grants received in advance	-	-	-	-	-
Total deferred inflows of resources	2,561	-	-	-	2,561
NET POSITION					
Investment in capital assets	3,193	-	-	-	3,193
Restricted for single family bond programs	-	12,464	16,925	574,410	603,799
Restricted for grant programs	-	26,307	-	-	26,307
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for net pension asset		-	-	-	-
Restricted for net OPEB asset	-	-	-	-	-
Unrestricted	5,901	36,340	-	-	42,241

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

	September 30, 2025				
	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
Total net position	$ 12,248	$ 75,111	$ 16,925	$ 574,410	$ 678,694

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

	For the Three Months Ended September 30, 2025				
	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
OPERATING REVENUES					
Mortgage interest income	$ 71	$ 18	$ 438	$ 37,908	$ 38,435
Investment income:					
Interest	33	77	55	9,964	10,129
Net increase in the fair value of investments	-	93	29	5,644	5,766
Federal grant administration fees	5,818	-	-	-	5,818
Fees and other income	7,376	83	-	-	7,459
Total operating revenues	13,298	271	522	53,516	67,607
OPERATING EXPENSES					
Salaries and benefits	9,256	-	-	-	9,256
Contractual services	4,537	-	-	-	4,537
Materials and supplies	1,092	-	-	-	1,092
Rentals and insurance	9	-	-	-	9
Other administrative expenses	109	-	-	-	109
Other program expenses	1,876	-	-	932	2,808
Interest expense	31	-	185	32,390	32,606
Issuance costs	-	-	-	1,218	1,218
Amortization: service release premium	23	-	-	-	23
Total operating expenses	16,933	-	185	34,540	51,658
Operating income (loss)	(3,635)	271	337	18,976	15,949
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	117,650	-	-	-	117,650
Federal grants expenses	(117,861)	-	-	-	(117,861)
Local grants expenses	(2,004)	-	-	-	(2,004)
Total nonoperating revenues (expenses)	(2,215)	-	-	-	(2,215)
Income (loss) before transfers	(5,850)	271	337	18,976	13,734
Transfers to other funds	-	(4,214)	(138)	-	(4,352)
Transfers from other funds	2,172	-	-	2,180	4,352
Change in net position	(3,678)	(3,943)	199	21,156	13,734
Total net position, July 1	15,926	79,054	16,726	553,254	664,960
Total net position, End of Period	$ 12,248	$ 75,111	$ 16,925	$ 574,410	$ 678,694

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2025

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
Cash flows from operating activities:					
Receipts from customers	$ 6,276	$ 1,233	$ 1,606	$ 116,362	$ 125,477
Receipts from federal government	4,870	-	-	-	4,870
Receipts from other funds	-	-	-	74	74
Other miscellaneous receipts	7,376	83	-	-	7,459
Acquisition of mortgage loans	-	-	-	(103,557)	(103,557)
Payments to suppliers	(35,455)	-	-	-	(35,455)
Payments to primary government	(100)	-	-	-	(100)
Payments to other funds	(74)	-	-	-	(74)
Payments to or for employees	(9,378)	-	-	-	(9,378)
Net cash provided (used) by operating activities	(26,485)	1,316	1,606	12,879	(10,684)
Cash flows from non-capital financing activities:					
Operating grants received	135,084	-	-	-	135,084
Transfers in (out)	2,172	(4,214)	(138)	2,180	-
Proceeds from sale of bonds	-	-	-	164,820	164,820
Operating grants paid	(135,380)	-	-	-	(135,380)
Cost of issuance paid	-	-	-	(1,218)	(1,218)
Principal payments	-	-	(2,505)	(260,285)	(262,790)
Interest paid	(36)	-	(536)	(73,892)	(74,464)
Net cash provided (used) by non-capital financing activities	1,840	(4,214)	(3,179)	(168,395)	(173,948)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	1,225	6,683	310,266	318,174
Purchases of investments	-	-	(910)	(39,708)	(40,618)
Investment interest received	33	77	79	10,847	11,036
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	90	7	2,629	2,726
Net cash provided by investing activities	33	1,392	5,859	284,034	291,318
Net increase (decrease) in cash and cash equivalents	(24,612)	(1,506)	4,286	128,518	106,686
Cash and cash equivalents, July 1	176,381	25,787	3,719	478,977	684,864
Cash and cash equivalents, June 30	$ 151,769	$ 24,281	$ 8,005	$ 607,495	$ 791,550

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2025

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2025
Reconciliation of operating income (loss) to					
net cash provided (used) by operating activities:					
Operating income (loss)	$ (3,635)	$ 271	$ 337	$ 18,976	$ 15,949
Adjustments to reconcile operating income (loss) to					
net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	1,454	620	92	3,503	5,669
Mortgage interest receivable	3	22	14	(643)	(604)
Unamortized service release premium of in-house mortgages	241	-	-	(633)	(392)
Unearned service release premium	(212)	-	-	-	(212)
Loans held for resale	171	-	-	-	171
Mortgage loans receivable	-	688	1,059	(29,719)	(27,972)
Due from federal government	(948)	-	-	-	(948)
Interfund receivables	-	-	-	74	74
Interfund payables	(74)	-	-	-	(74)
Accounts payable	(22,367)	3	3	2,658	(19,703)
Accrued payroll / compensated absences	(36)	-	-	-	(36)
Due to primary government	(100)	-	-	-	(100)
Unearned revenue	(808)	(118)	-	662	(264)
Line of credit payable	(172)	-	-	-	(172)
Arbitrage rebate liability	-	-	-	1	1
Investment income included as operating revenue	(33)	(170)	(84)	(15,608)	(15,895)
Interest expense included as operating expense	31	-	185	32,390	32,606
Issuance cost included as operating expense	-	-	-	1,218	1,218
Total adjustments	(22,850)	1,045	1,269	(6,097)	(26,633)
Net cash provided (used) by operating activities	$ (26,485)	$ 1,316	$ 1,606	$ 12,879	$ (10,684)
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	$ -	$ -	$ 7	$ 3,688	$ 3,695
Total noncash investing, capital, and financing activities	$ -	$ -	$ 7	$ 3,688	$ 3,695

AUDITED
FINANCIAL STATEMENTS

June 30, 2025

If you are a person with a disability and need an accessible version of this document, please contact THDA's 504 Coordinator at RARequest@thda.org.

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tennessee Housing Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the

Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks; such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the agency's internal control; accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 11, the agency implemented Governmental Accounting Standards Board Statement 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: management's discussion and analysis on pages 6 through 13; the schedule of THDA's proportionate share of the net pension liability (asset) for the Closed State and Higher Education Employee Pension Plan within the Tennessee Consolidated Retirement System (TCRS) on page 55, the schedule of THDA's proportionate share of the net pension liability (asset) for the State and Higher Education Employee Retirement Plan within TCRS on page 56, the schedule of THDA's contributions to the Closed State and Higher Education Employee Pension Plan within TCRS on page 57, the schedule of THDA's contributions to the State and Higher Education Employee Retirement Plan within TCRS on page 58, the schedule of THDA's proportionate share of the collective total/net Other Postemployment Benefits (OPEB) liability (asset) for the Closed State Employee Group OPEB Plan on page 59, the schedule of THDA's proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan on page 60, and the schedule of THDA's contributions to the Closed State Employee Group OPEB Plan on page 61 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information on pages 62 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 3, 2025

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2025

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the year ended June 30, 2025, with comparative information presented for the fiscal year ended June 30, 2024. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

THDA's purpose is to:

- Promote the production of more affordable new housing units for very low-, low-, and moderate-income individuals and families in Tennessee.
- Promote the preservation and rehabilitation of existing housing units for very low-, low-, and moderate-income individuals and families.
- Bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units.

THDA offers loan products through private-sector lending partners that help Tennesseans achieve the goal of homeownership. All THDA loans have 30-year, fixed-rate terms and offer down payment assistance as an optional second loan.

Further, THDA provides servicing for these loans through Volunteer Mortgage Loan Servicing. Proceeds from these loans directly support the operations of THDA and are reinvested in our state through THDA's programs and grant initiatives.

THDA Governance

THDA is accountable to both the executive and legislative branches of state government, both of which are represented on its 15-member board of directors.

- The commissioner of finance & administration, state comptroller, secretary of state, and the state treasurer all serve as ex-officio board members.
- The governor designates one staff member to serve on the board and appoints eight other positions, including the board chair and a housing choice voucher consumer.
- The house and senate speakers also appoint one member each.

In addition to THDA's own internal audit division, a number of federal agencies, including HUD and the US Treasury, conduct annual evaluations to monitor program compliance. The state comptroller's office serves as THDA's external auditor.

Overview of the Financial Statements

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows, as well as the notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year-end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA's cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide Annual Comprehensive Financial Report. This report may be viewed at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

Financial Highlights

Year Ended June 30, 2025

- Total assets increased by $227 million, or 4.87%.
- Total liabilities increased by $194 million, or 4.82%.
- Net position was $665 million. This is an increase of $30 million, or 4.74%, from fiscal year 2024 net position (as adjusted).
- Cash and cash equivalents increased by $42 million, or 6.52%.
- Total investments increased by $204 million, or 34.61%.
- Bonds payable increased by $194 million, or 5.21 %.
- THDA originated $448 million in new loans, which is a decrease of $287 million, or 39.07%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2025	2024
Current assets	$1,090,255	$1,0814,858
Capital assets	3,194	4,595
Other noncurrent assets	3,793,477	3,572,977
Total assets	4,886,926	4,659,430
Deferred outflows of resources	4,981	7,182
Current liabilities	355,779	269,563
Noncurrent liabilities	3,868,607	3,760,633
Total liabilities	4,224,386	4,030,196
Deferred inflows of resources	2,561	1,531
Investment in capital assets	3,194	4,595
Restricted net position	602,238	581,508
Unrestricted net position	59,528	48,782
Total net position	$ 664,960	$634,885

2025 to 2024

First and second mortgage loans receivable (net of allowance for forgivable second mortgages and allowance for non-performing first mortgage loans) decreased by $7.1 million. During fiscal year 2025, single-family mortgage loan originations decreased by $287 million, whereas mortgage loan payoffs increased by $18.7 million and mortgage loan repayments increased $17.8 million. THDA recognized an allowance for future uncollectable forgivable second mortgages of $5.2 million for fiscal year 2025. In addition THDA recognized an allowance for non-performing first mortgage loans of $367 thousand.

Total liabilities increased $194 million. The increase is due to a $194 million increase in bonds payable at June 30, 2025, as compared to June 30, 2024.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2025	2024
Operating revenues		
Mortgage interest income	$149,454	$137,679
Investment income	36,451	20,198
Other	76,891	95,915
Total operating revenues	262,796	253,792
Operating expenses		
Interest expense	138,147	108,752
Other	85,048	73,531
Total operating expenses	223,195	182,283
Operating income	39,601	71,509
Nonoperating revenues (expenses)		
Grant revenues	548,583	501,127
Payments from primary govt	148	897
Grant expenses	(555,710)	(510,078)
Total nonoperating revenues (expenses)	(6,979)	(8,054)
Change in net position	$ 32,622	$63,455

2025 to 2024

Total operating revenues increased $9.0 million, primarily due to an increase in mortgage interest income of $11.8 million, an increase in investment income of $27.3 million, and a decrease in the allowance for uncollectable second mortgages of $37.0 million. Mortgage interest income increased primarily due to an increase in mortgage loans. Investment income increased due to investing approximately $224 million of bond issue 2024-3 proceeds for a significant portion of the fiscal year. The allowance for uncollectible debt decreased due to a one-time change in estimate in fiscal year 2024.

Total operating expenses increased $40.9 million. This is primarily due to an increase in interest expense. Interest expense increased primarily due to an increase in bonds payable.

Nonoperating grant revenues increased $47.5 million and nonoperating grant expenses increased $45.7 million, primarily due to the HUD assignment of new Section 8 Project-Based Contract Administration properties to THDA's portfolio along with the increase of market-rate rents for existing properties in the portfolio.

Debt Activity

Bonds outstanding as of June 30, 2025, were $3,919,245 (expressed in thousands) which is a $194.1 million increase from bonds outstanding of $3,725,143 (expressed in thousands) as of June 30, 2024. The increase in bonds payable is primarily due to a decrease in the amount mortgage prepayments, resulting in a decrease in bonds called.

Debt Limits

In accordance with Section 13-23-121, Tennessee Code Annotated, THDA operates under a "debt ceiling" of $5,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2025	2024 (As Restated)	2023 and Prior	Total
Funding Sources:				
THDA	$8,700,000	$9,700,000	$123,600,000	$142,000,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	$8,700,000	$9,700,000	$127,950,000	$146,350,000
Approved Uses:				
Rural Repair Program (USDA)	$ -	$ -	$6,300,000	$6,300,000
Ramp Programs & Housing Modification	-	400,000	2,750,000	3,150,000
Emergency Repairs	1,600,000	2,700,000	37,400,000	41,700,000
Competitive Grants	3,500,000	3,500,000	62,200,000	69,200,000
Rebuild & Recover	600,000	600,000	6,300,000	7,500,000
Challenge Grant Program	-	-	2,000,000	2,000,000
Creating Homes Initiative – 2 Program	-	-	2,500,000	2,500,000
Development Gap Program	1,000,000	-	-	1,000,000
Capacity Building Program	1,500,000	1,000,000	-	2,500,000
Homebuilders Institute	-	1,000,000	-	1,000,000
COVID-19 Supplemental	-	-	500,000	500,000
Other Grants	500,000	500,000	8,000,000	9,000,000
Totals	$8,700,000	$9,700,000	$127,950,000	$146,350,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed-rate mortgage product while still offering down payment assistance with the addition of one of two Great Choice Plus loan programs. Both options are second mortgages, with a 30-year term. The first is a deferred option at a 0% interest rate and a flat loan amount of $6,000. The second is an amortizing option at the same interest rate as the first mortgage and a loan amount of 6% of the sales price.

During fiscal year 2023, the Great Choice Plus loan products were modified. The deferred option at 0% interest rate was modified to "up to $6,000". The loan is due on sale or refinance, and forgiven at the end of the 30 year term. The amortizing option was modified to "up to 5%" of the sales price, a maximum of $15,000.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. In March 2023, the Homeownership for the Brave program was re-branded and new Homeownership loans are referred to as "Homeownership for Heroes". This special offer provides a 0.5% rate reduction on the current interest rate for Great Choice loans. The program also was expanded to include firefighters, EMT, local and state law enforcement and paramedics. In addition to the rate reduction, Homeownership for Heroes applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan described above.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years) and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable-rate mortgages, interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% (Homeownership for Heroes goes up to 100% LTV on VA or USDA-RD loans)must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development),
- VA (Veterans Administration Guaranty Program),
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration), and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Freddie Mac. These loans must be approved through Freddie Mac's automated underwriting system, Loan Product Advisor, with no expanded approvals. The program name must be HFA Advantage. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed list of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's website at https://thda.org/homebuyers.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave, Homeownership for Heroes and HFA Advantage); insurer/guarantor (FHA, VA, RECD, private mortgage insurer); mortgage loan servicer; down-payment assistance; and other factors as deemed necessary. THDA established a Mortgage Compliance division, under the Single Family umbrella during fiscal year 2023 to assist with the monitoring of early payment or first payment default.

As of June 30, 2025, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage[1]
60 – 89 Days Past Due	27,419	588	$68,915,706	2.14%
90+ Days Past Due	27,419	1037	131,531,030	3.78%
In Foreclosure	27,419	38	4,993,609	0.14%

Economic Factors

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single-Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

[1] Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Michell Bosch, Chief Financial Officer, at (615) 815-2011 or via e-mail at MBosch@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2025

(Expressed in Thousands)

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	652,691
Investments (Note 2)	$	254,424
Investment in Real Estate Owned (REO) properties	$	4,714
Receivables:		
Accounts	$	14,746
Interest	$	19,930
Loans held for resale	$	4,482
First and second mortgage loans	$	83,223
Due from federal government	$	50,333
Due from other state funds	$	5,713
Total current assets	$	1,090,256
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	$	32,173
Investments (Note 2)	$	94,599
Investment interest receivable	$	674
Investments (Note 2)	$	439,206
First mortgage loans receivable	$	3,067,746

Allowance for non-performing first mortgage loans	$	(367)
Second mortgage loans receivable	$	134,399
Allowance for uncollectable second mortgages	$	(5,214)
Unamortized service release premium of in-house mortgages	$	26,713
Unearned service release premium	$	3,419
Advance to local government	$	3,146
Allowance for doubtful accounts	$	(3,146)
Net pension asset (Note 5)	$	-
Net OPEB asset (Note 8)	$	128
Capital assets:		
Furniture and equipment	$	16,058
Less accumulated depreciation	$	(12,864)
Total noncurrent assets	$	3,796,670
Total assets	$	4,886,926
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	$	22
Deferred outflows related to pensions (Note 5)	$	3,902
Deferred outflows related to OPEB (Note 8)	$	227
Deferred outflows related to defeased bonds (Note 3)	$	830
Total deferred outflows of resources	$	4,981
LIABILITIES		
Current liabilities:		
Accounts payable	$	46,383
Accrued payroll and related liabilities	$	1,163

Compensated absences (Note 3)	$	1,583
Due to primary government	$	100
Interest payable	$	74,713
Escrow deposits (Note 3)	$	17,281
Prepayments on mortgage loans	$	2,118
Line of credit payable	$	4,233
Bonds payable (Note 3)	$	208,205
Total current liabilities	$	355,779
Noncurrent liabilities:		
Bonds payable (Note 3)	$	3,711,040
Compensated absences (Note 3)	$	4,016
Net pension liability (Note 5)	$	2,107
Escrow deposits (Note 3)	$	20,830
Arbitrage rebate payable	$	1,944
Unearned revenue (Note 3)	$	128,670
Total noncurrent liabilities	$	3,868,607
Total liabilities	$	4,224,386
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 5)	$	1,100
Deferred inflows related to OPEB (Note 8)	$	1,461
Total deferred inflows of resources	$	2,561
NET POSITION		
Investment in capital assets	$	3,194
Restricted for single family bond programs (Note 4))	$	584,514
Restricted for grant programs (Note 4)	$	17,596

Restricted for net OPEB asset (Note 8)	$	128
Unrestricted (Note 4)	$	59,528
Total net position	$	664,960

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025
(Expressed in Thousands)

OPERATING REVENUES		
Mortgage interest income	$	149,454
Investment income:		
Interest	$	36,451
Net increase in the fair value of investments	$	28,331
Federal grant administration fees	$	29,140
Fees and other income	$	19,420
Total operating revenues	$	262,796
OPERATING EXPENSES		
Salaries and benefits	$	34,974
Contractual services	$	21,265
Materials and supplies	$	1,996
Rentals and insurance	$	23
Other administrative expenses	$	9,019
Other program expenses	$	13,230
Interest expense	$	138,147
Issuance costs	$	2,648
Amortization: service release premium	$	106
Depreciation	$	1,787
Total operating expenses	$	223,195
Operating income	$	39,601
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	$	548,583
Payment from primary government (Note 9)	$	148
Federal grants expenses	$	(548,416)

Local grants expenses	$	(7,294)
Total nonoperating revenues (expenses)	$	(6,979)
Change in net position	$	32,622
Total net position, July 1	$	634,885
Cumulative effect of a change in accounting principle (Note 11)	$	(2,547)
Total net position, July 1, as restated	$	632,338
Total net position, June 30	$	664,960

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(Expressed in Thousands)

Cash flows from operating activities:		
Receipts from customers	$	606,124
Receipts from federal government	$	28,193
Receipts from other funds	$	1,255
Other miscellaneous receipts	$	19,419
Acquisition of mortgage loans	$	(447,779)
Payments to suppliers	$	(49,792)
Payments to other funds	$	(1,255)
Payments to or for employees	$	(35,638)
Net cash provided by operating activities	$	120,527
Cash flows from non-capital financing activities:		
Operating grants received	$	549,553
Payment from primary government	$	148
Proceeds from sale of bonds	$	512,858
Operating grants paid	$	(561,753)
Cost of issuance paid	$	(2,648)
Principal payments	$	(307,620)
Interest paid	$	(138,145)
Net cash provided for non-capital financing activities	$	52,393
Cash flows from capital and related financing activities:		
Purchases of capital assets	$	(386)
Net cash used for capital and related financing activities	$	(386)
Cash flows from investing activities:		

Proceeds from sales and maturities of investments	$	746,259
Purchases of investments	$	(920,725)
Investment interest received	$	34,363
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	$	9,477
Net cash used for investing activities	$	(130,626)
Net increase in cash and cash equivalents	$	41,908
Cash and cash equivalents, July 1	$	642,956
Cash and cash equivalents, June 30	$	684,864
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	39,601
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	$	1,787
Changes in assets and liabilities:		
Accounts receivable	$	(1,664)
Mortgage interest receivable	$	818
Unamortized service release premium of in-house mortgages	$	488
Unearned service release premium	$	(1,715)
Pension asset	$	45
Pension Liability	$	(2,511)
Deferred pension outflows	$	2,061
Deferred OPEB outflows	$	179
Loans held for resale	$	2,420
Mortgage loans receivable	$	8,138
Due from federal government	$	(948)
Accounts payable	$	841

Accrued payroll / compensated absences	$	(10)
Due to primary government	$	6
Unearned revenue	$	(3,928)
Line of credit payable	$	(2,584)
Arbitrage rebate liability	$	1,347
OPEB liability	$	(662)
OPEB asset	$	(128)
Deferred OPEB inflows	$	(21)
Investment income included as operating revenue	$	(64,782)
Interest expense included as operating expense	$	138,147
Issuance cost included as operating expense	$	2,648
Total adjustments	$	80,926
Net cash provided by operating activities	$	120,527
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	$	14,274
Total noncash investing, capital, and financing activities	$	14,274

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in Section 13-23-101 et seq. Tennessee Code Annotated. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making funds available to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, Code of Federal Regulations, Part 964, Subpart E. Section 13-23-101 et seq., Tennessee Code Annotated, was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the

Notes to the Financial Statements (Continued)

taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the Tennessee Annual Comprehensive Financial Report.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Notes to the Financial Statements (Continued)

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds; Bond Reserve Funds; the Tax and Insurance Holding/Escrow account; Funds on deposit for, or on behalf of, borrower's related to Loan Servicing; and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Notes to the Financial Statements (Continued)

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Unamortized Service Release Premium of In-House Mortgages

Amounts reported as Unamortized Service Release Premium of In-House Mortgages are for amounts related to acquiring servicing rights from THDA's partners. Beginning in fiscal year 2017, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans and with typical industry practices, THDA paid 1% of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In fiscal year 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Unamortized Service Release Premium of In-House Mortgages, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

Notes to the Financial Statements (Continued)

include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S federal government, public housing bonds secured by contracts with the U.S federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Mortgages

Mortgages are carried at their original amount less collected principal.

Secondary Market Mortgage Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Notes to the Financial Statements (Continued)

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and use those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the income from investing the bond proceeds. The primary operating expense of the agency is the interest expense on bonds outstanding. The primary non-operating revenue is federal grants revenue. The primary non-operating expense is federal grants expense.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within 10 years of the origination date. Beginning on the 11th anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course

Notes to the Financial Statements (Continued)

of time, or not recovered due to foreclosure, an allowance account has been established for those loans that may enter the forgivable period or for loss due to foreclosure.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Notes to the Financial Statements (Continued)

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

On June 30, 2025, the bank balance was $49,616,991.60. This amount includes $26,971,936.10; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans; $1,498,724.32 which is held in various accounts to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Freddie Mac serviced loans and $2,265,997.44 held in various accounts to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Ginnie Mae Mortgage Backed Securities serviced loans. All bank balances at June 30, 2025, were insured.

Investments

As stated in the agency's investment policy, the "prudent person rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as

Notes to the Financial Statements (Continued)

a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within 5 years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee. Program securities (the mortgage backed securities pledged as collateral for the municipal revenue bonds) are exempt from this policy.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

<u>Interest Rate Risk</u> – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair market value changes arising from changing interest rates. Effective duration calculates the bond's market price sensitivity per 1% change in interest rates.

Notes to the Financial Statements (Continued)

June 30, 2025

Table of Investment Types

Investment Type	Fair Value (in thousands)	Effective Duration Unless Otherwise Noted (Years)
U.S. Agency Coupon	$126,567	1.035
U.S. Agency Discount	480,877	0.051
Government Mortgage-Backed Securities*	408,668	5.194
Total	$1,016,112	

* = Modified Duration was used in the place of Effective Duration on Pass Through investments where average life was used instead of PSA speed

State and Local Government Series (SLGS) have an effective duration of .189 years.

Fair Value Measurements – THDA implemented GASB Statement No. 72, Fair Value Measurement and Application. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2025, (expressed in thousands):

Notes to the Financial Statements (Continued)

Assets by Fair Value Level	June 30, 2025 Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	$126,567	$-	$126,567	$ -
U.S. Agency Discount	480,877		480,877	-
Government Mortgage - Backed Securities	408,668		408,668	-
Total fair value securities	$1,016,112	-	$1,016,112	-
U.S. Treasury Coupon	114,010	114,010	-	-
Total debt securities	$1,130,122	$114,010	$1,016,112	$-

The U.S. Treasury Coupon is a State and Local Government Security specifically designed for state and local government arbitrage rules. These securities are non-marketable and value at cost.

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June

Notes to the Financial Statements (Continued)

30, 2025, are included in the schedules below. Securities are rated using Nationally Recognized Statistical Rating Organizations (NRSRO) and are presented below (expressed in thousands).

Investment Type	Fair Value	U.S. Treasury	AAA	AA+	Not Rated
U.S. Agency Coupon	$126,567	-		$126,567	
U.S. Treasury Coupon	114,010	114,010		-	-
U.S. Agency Discount*	480,877	-	480,877	-	-
Government Mortgage-Backed Securities	408,668	-	-	127,604	281,064
Total	$1,130,122	$114,010	$480,877	$ 254,171	$281,064

*These securities have the highest rating available.

In addition to these investments, the agency has $165,651,934 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor’s rating of AAA.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency’s investment in a single issuer.

Notes to the Financial Statements (Continued)

Issuer	Fair Value (in thousands)	Portfolio
Federal Home Loan Bank	$ 228,196	22.46
Federal Home Loan Mortgage Corp	337,470	33.21
Federal National Mortgage Association	169,382	16.67
Ginnie Mae	281,064	27.66
Total	$1,016,112	100%

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

Note 3. Liabilities

Bonds Issued and Outstanding

Housing Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2025 (Thousands)
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	30,935

Total Housing Finance Program Bonds	$150,000	$30,935
Plus: Unamortized Bond Premiums		352
Net Housing Finance Program Bonds		$31, 287

Notes to the Financial Statements (Continued)

Residential Finance Program

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2025 (Thousands)
2013-1	1/1/2014 – 7/1/2043	$215,905	0.40 to 4.00	$ 18,775
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	18,210
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	24,835
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	34,270
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	37,515
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	44,580
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	40,795
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	42,270
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	6,545
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	21,495
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	56,450
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	41,300
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	45,135
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	39,745
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	69,465
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	74,415
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	104,685
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	89,865
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	109,650
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	87,480
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	117,365
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	120,580
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	31,280

Notes to the Financial Statements (Continued)

2020-3	1/1/2021 – 7/1/2050	145,000	0.80 to 3.50	100,620
2020-4	7/1/2021 – 1/1/2051	145,000	1.50 to 3.00	104,445
2021-1	1/1/2022 – 7/1/2051	149,990	0.20 to 3.00	118,015
2021-2	7/1/2022 – 1/1/2052	99,990	0.13 to 3.00	86,075
2021-3	7/1/2022 – 1/1/2052	170,000	0.20 to 3.00	67,795
2022-1	1/1/2023 – 7/1/2052	175,000	1.25 to 5.00	151,820
2022-2	1/1/2023 – 1/1/2053	149,990	1.75 to 5.00	138,875
2022-3	7/1/2023 – 1/1/2053	160,000	3.00 to 5.50	149,295
2023-1	1/1/2024 – 7/1/2054	140,000	.80 to 5.756	132,280
2023-2	7/1/2024 – 1/1/2054	235,000	3.20 to 6.00	227,685
2023-3	7/1/2024 – 1/1/2054	360,000	3.90 to 6.534	352,250
2024-1	1/1/2025 – 1/1/2055	270,000	3.05 to 6.25	267,820
2024-2	1/1/2025 – 1/1/2055	255,000	3.30 to 6.25	254,235
2024-3	1/1/2026-1/1/2056	255,525	4.60 to 6.25	145,260
2025-1	1/1/2026-1/1/2056	250,000	3.50 to 6.50	250,000

Total Residential Finance Program Bonds	$6,377,800	$3,823,175
Plus: Unamortized Bond Premiums		65,046
Subtract: Unamortized Bond Discount		(263)
Net Residential Finance Program Bonds		$3,887,958
Net Total All Bonds		$3,919,245

Debt Service Requirements

Debt service requirements to maturity at June 30, 2025, are as follows (expressed in thousands):

Notes to the Financial Statements (Continued)

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2026	119,435	153,861	273,296
2027	127,260	155,615	282,875
2028	127,590	151,736	279,326
2029	130,955	147,639	278,594
2030	134,440	143,281	277,721
2031 – 2035	598,815	649,123	1,247,938
2036 – 2040	617,260	536,503	1,153,763
2041 – 2045	674,150	402,713	1,076,863
2046 – 2050	699,265	249,084	948,349
2051 – 2055	494,565	91,585	586,150
2056	130,375	4,720	135,095
Total	$3,854,110	$2,685,860	$6,539,970

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $3,854,110 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of $3,854,110 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of $40,000,000. The unused portion as of June 30, 2025, is $35,479,378.

Redemption of Bonds and Notes

Notes to the Financial Statements (Continued)

During the year ended June 30, 2025, bonds were retired at par before maturity in the Housing Finance Program in the amount of $1,460,000 and in the Residential Finance Program in the amount of $243,315,000. The respective carrying values of the bonds were $1,525,336 and $251,215,556. This resulted in revenue to the Housing Finance Program of $65,336 and to the Residential Finance Program of $7,900,556.

Issuance of Bonds

On December 19, 2024, the agency issued $255,525,000 in Residential Finance Program Bonds, Issue 2024-3A, 2024-3B and 2024-3C.

On May 29, 2025, the agency issued $250,000,000 in Residential Finance Program Bonds, Issue 2025-1A and 2025-1B.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2025 (expressed in thousands).

Long Term Liability	Beginning Balance July 1, 2024 (As Restated)	Additions	Reductions	Ending Balance June 30, 2025	Amounts Due Within One Year*
Bonds Payable	$3,656,205	$505,525	($307,620)	3,854,110	$208,205
Plus: Unamortized Bond Premiums	69,218	7,333	(11,153)	65,398	-
Less: Unamortized Bond Discounts	(280)	-	17	(263)	-
Net - Compensated Absences	5,626	-	(27)**	5,599	1,583
Escrow Deposits	35,024	63,562	(60,475)	38,111	17,281

Notes to the Financial Statements (Continued)

Unearned Revenue	132,596	7,990	(11,916)	128,670	-
Arbitrage Rebate Payable	597	1,347	(-)	1,944	-
Total	$3,898,986	$585,757	($391,174)	$4,093,569	$226,956

***Amounts due within one year include management authorized bond refundings at June 30.**

** The change in the compensated absences liability is presented as a net change.

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a

Notes to the Financial Statements (Continued)

component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided – Title 8, Chapters 34-37, Tennessee Code Annotated, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	**x**	1.50%	**x**	Years of Service Credit	**x**	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	**x**	1.75%	**x**	Years of Service Credit	**x**	105%

Notes to the Financial Statements (Continued)

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

<u>Contributions</u> – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2025, to the Closed State and Higher Education Employee Pension Plan were $1,912,788.98 which was 22.21% of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Notes to the Financial Statements (Continued)

Pension liability – At June 30, 2025, THDA reported a liability of $2,049,216.30 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. THDA's proportion of the net pension liability was based on the proportion of THDA's contributions during the year ended June 30, 2024, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2024, measurement date, THDA's proportion was 0.410941%. The proportion measured as of June 30, 2023, was 0.418332%.

Pension expense – For the year ended June 30, 2025, THDA recognized a pension expense of $2,551,875. Allocated pension expense was $2,578,677.31 before being decreased by $26,802.47 due to a change in proportionate share.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,037,960.75	$ -
Net difference between projected and actual earnings on pension plan investments	0.00	903,668.88
Change in proportionate share of net asset or liability	0.00	22,731.96
Changes in assumptions	-	-
Tennessee Housing Development Agency's contributions	1,912,788.98	-

Notes to the Financial Statements (Continued)

subsequent to the measurement date of June 30, 2024		
Total	$2,950,749.73	$926,400.84

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2025, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources, resulting from THDA's employer contributions of $1,912,788.98 subsequent to the measurement date will be recognized as reduction to net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2026	(152,469.04)
2027	1,186,456.93
2028	(459,148.98)
2029	(463,279.00)
2030	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Notes to the Financial Statements (Continued)

Actuarial assumptions – The total pension liability as of the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS

Notes to the Financial Statements (Continued)

investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements (Continued)

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what THDA's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency's proportionate share of the net pension liability (asset)	$12,254,199.75	$2,049,216.30	$(6,503,443.04)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Payable to the Pension Plan

At June 30, 2025, THDA reported a payable of $69,282.18 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2025.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through

Notes to the Financial Statements (Continued)

the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided – Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation by 1% multiplied by member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include

Notes to the Financial Statements (Continued)

projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2025, to the State and Higher Education Employee Retirement Plan were $461450.92, which is 2.73% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Notes to the Financial Statements (Continued)

Pension liability – At June 30, 2025, THDA reported a liability of $57,689.98 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA's proportion of the net pension liability was based on a projection of THDA's contributions during the year ended June 30, 2024, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2024, measurement date, THDA's proportion was 0.648657%. The proportion measured as of June 30, 2023, was 0.627143%.

Pension expense – For the year ended June 30, 2025, THDA recognized a pension expense of $371,895. Allocated pension expense was $389,397.86 before being decreased by $17,503.08 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2025, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$379,636.88	$35,833.38
Net difference between projected and actual earnings on pension plan investments	-	63,869.01
Changes in proportion of share of net asset or liability	20,353.33	73,802.94
Changes in assumptions	89,380.06	-

Notes to the Financial Statements (Continued)

Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2024	461,450.92	-
Total	$950,821.19	$173,505.33

Deferred outflows of resources, resulting from THDA's employer contributions of $461,450.92 subsequent to the measurement date will be recognized as a decrease in net pension liability or a increase in net pension asset in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2026	11,690.40
2027	95,156.13
2028	20,994.18
2029	39,808.15
2030	57,988.78
Thereafter	90,227.29

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

<u>Actuarial assumptions</u> – The total pension liability as of the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%

Notes to the Financial Statements (Continued)

Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what THDA's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency's proportionate share of the net pension liability (asset)	$1,332,409.64	$57,689.98	$(905,926.69)

Pension plan fiduciary net position – Detailed information about the plan's fiduciary net position is available separately issued TCRS financial report at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Payable to the Pension Plan

At June 30, 2025, THDA reported a payable of $19,538.38 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2025.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2025, for both defined benefit pension plans was $2,923,770.

Note 6. Deferred Compensation Plans

The Tennessee Housing Development Agency, through the State of Tennessee, provides a deferred compensation plan pursuant to the Internal Revenue Code (IRC), Section 401(k). The plan is outsourced to a third-party vendor, and the administrative costs assessed by the vendor of this plan are the responsibility of plan participants. Section 401(k) plan assets remain the property of the contributing employees, and they are not presented in the accompanying

Notes to the Financial Statements (Continued)

financial statements. Section 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The Tennessee Housing Development Agency provides up to a $100 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan if they elect to be in the TCRS pension plan. Employees contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

For the year ended June 30, 2025, The Tennessee Housing Development Agency recognized a pension expense of $1,121,881.84 for employer contributions.

At June 30, 2025, the Tennessee Housing Development Agency reported a payable of $42,443 for the outstanding amount of legally required contributions to the plan required for the year then ended.

Note 7. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; cyber liability losses; and theft of, damage to, or destruction of real and

Notes to the Financial Statements (Continued)

personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state self-insures against property and cyber liability losses through the RMF and the State of Tennessee Captive Insurance Company (TCIC). The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees above the limits of the RMF and TCIC. For property coverage, the deductible for an individual state agency is the first $25,000 to $75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses of $7.5 million per occurrence for all perils. The TCIC is responsible for property losses in excess of the RMF limits up to an annual aggregate of $25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of $800 million per year for perils other than earthquake and flood which are capped at $50 million per year. The maximum earthquake insurance coverage is $50 million per year. For cyber coverage, the RMF is responsible for $1.5 million per occurrence. The TCIC is responsible for losses in excess of the RMF limits up to an aggregate of $10 million.

The agency participates in the RMF, except for RMF's cyber liability coverage. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a

Notes to the Financial Statements (Continued)

whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2025, is presented in the Annual Comprehensive Financial Report (ACFR). The ACFR is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Section 9-8-101 et seq, Tennessee Code Annotated. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in, Section 50-6-101 et seq, Tennessee Code Annotated. Claims are paid through the state's Risk Management Fund. At June 30, 2025, the Risk Management Fund held $246 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 8. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Notes to the Financial Statements (Continued)

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at https://www.tn.gov/finance/rd-doa/opeb22121.html.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 201, Tennessee Code Annotated. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Notes to the Financial Statements (Continued)

<u>Contributions</u> - Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Part 201, Tennessee Code Annotated , establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2025 was $68 million. The Tennessee Housing Development Agency share of the ADC was $149 thousand. During the fiscal year the Tennessee Housing Development Agency contributed $109 thousand to the OPEB Trust. The Tennessee General Assembly has the authority to change the contribution requirements for the employers participating in the EGOP. The primary government made payments on behalf of Tennessee Housing Development Agency in the amount of $135 thousand.

Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

<u>Proportionate share</u> - The Tennessee Housing Development Agency's proportion and proportionate share of the collective net OPEB asset, related to the EGOP was $128 thousand at June 30, 2025. At the June 30, 2024 measurement date, the Tennessee Housing Development Agency's proportion of the collective net OPEB asset was 0.161100%. The proportion existing at the prior measurement date was 0.165910%. This resulted in a change in proportion of 0.004810% between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB

Notes to the Financial Statements (Continued)

liability was determined by an actuarial valuation with a valuation date of June 30, 2024, and measurement date of June 30, 2024.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.68% for 2025, decreasing annually to an ultimate rate of 4.5% for 2038 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010

Notes to the Financial Statements (Continued)

Headcount-Weighted Employee mortality table projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender- distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally with MP-2021.

Long-term Expected Rate of Return- The long-term expected rate of return of 6.5% on OPEB Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Title 8, Chapter 27, Part 802, Tennessee Code Annotated, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

	Allocation Range		
Asset Class	Minimum	Maximum	Total Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%

Notes to the Financial Statements (Continued)

Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Large cap U.S. equity	4.55%
Small cap U.S. equity	5.01%
Developed market international equity	4.45%
Emerging market international equity	4.65%
Cash (government)	2.00%
Private equity and strategic lending	5.43%
U.S. fixed income	3.28%
Real estate	4.16%

Discount rate - The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan

Notes to the Financial Statements (Continued)

members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The discount rate increased from 6% to 6.5%. The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB asset of the EGOP, as well as what the proportionate share of the collective net OPEB asset would be if it were calculated using a discount rate that is 1percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current discount rate (expressed in thousands).

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability (asset)	$ 35	(128)	$ 281

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB asset of the EGOP, as well as what the proportionate share of the collective net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (9.68% decreasing to 3.5%) or 1

Notes to the Financial Statements (Continued)

percentage point higher (11.68% decreasing to 5.5%) than the current rate (expressed in thousands).

	1% Decrease (9.68% decreasing to 3.50%)	Healthcare Cost Trend Rates (10.68% decreasing to 4.50%)	1% Increase (11.68% decreasing to 5.50%)
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability (asset)	$ (335)	$ (128)	$ 108

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee Annual Comprehensive Financial Report found at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

OPEB Expense – For the fiscal year ended June 30, 2025, the Tennessee Housing Development Agency recognized negative OPEB expense of $523 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2025, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

Notes to the Financial Statements (Continued)

Fiscal Year 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$62
Net difference between actual and projected investment earnings	$-	$97
Changes in assumptions	$118	$153
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	1,149
Contributions subsequent to the measurement date	110	-
Total	$ 228	$ 1,461

Deferred outflows of resources, resulting from the Tennessee Housing Development Agency's employer contributions of $110 thousand subsequent to the measurement date will be recognized as a net OPEB liability in the year ended June 30, 2026

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

For the year ended June 30:	
2026	(593)

Notes to the Financial Statements (Continued)

2027	(283)
2028	(251)
2029	(171)
2030	(45)
Thereafter	-

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The primary government as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Group Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled

Notes to the Financial Statements (Continued)

employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, part 209, Tennessee Code Annotated , benefits are established and amended by cooperation of insurance committees created by Title 8, Chapter 27, Parts 201, 301, and 701, Tennessee Code Annotated. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid $13,900 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with Title 8, Chapter 27, Part 209, Tennessee Code Annotated, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 701, Tennessee Code Annotated, determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

<u>Proportionate share</u> – The primary government is entirely responsible for the TNP OPEB liability associated with the Tennessee Housing Development Agency's employees. The primary government's proportionate share of the total OPEB liability associated with the Tennessee

Notes to the Financial Statements (Continued)

Housing Development Agency was $279 thousand at June 30, 2025. At the June 30, 2024, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.187234%. This represents a change of 0.010625% from the prior proportion of 0.197859%. The Tennessee Housing Development Agency's proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2024, and a measurement date of June 30, 2024.

Actuarial assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022 pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for

Notes to the Financial Statements (Continued)

the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females projected generationally from 2018 with MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.93%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa2 as shown on the Bond Buyer GO 20-Year Municipal Bond index.

Changes in assumptions - The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability by 2.98%.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the Tennessee Housing Development Agency's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.93%) or 1 percentage-point higher (4.93%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

Notes to the Financial Statements (Continued)

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Primary government's proportionate share of the collective total OPEB liability	$ 316	$ 279	$ 248

OPEB expense – For the fiscal year ended June 30, 2025, the primary government recognized OPEB expense of $6 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2025 was negative $517 thousand, which consisted of negative OPEB expense of $523 thousand for the EGOP and $6 thousand paid by the primary government for the TNP.

Note 9. On-Behalf Payments

During the year ended June 30, 2025, the State of Tennessee made payments of $13,100 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of $134,750 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 8. The plan is reported in the Tennessee Annual Comprehensive Financial Report.

Note 10. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a

Notes to the Financial Statements (Continued)

description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Note 11. Change in Accounting Principle

In June 2022, the GASB issued Statement Number 101, Compensated Absences. This statement addresses changes in the recognition and measurement guidance for the compensated absences liability. The agency implemented this standard as of July 1, 2024.

During fiscal year 2025, the change in an accounting principle resulted in a restatement of beginning net position and compensated absences as follows:

	June 30, 2024 as previously reported	Change in accounting principle	June 30, 2024 as restated
Net position	$634,884,819	($2,547,246)	$632,337,573
Compensated			$ 5,626,348
absences	$ 3,079,102	$2,547,246	

Note 12. Subsequent Events

Notes to the Financial Statements (Continued)

Residential Finance Program Bonds, Issue 2025-2, were authorized by the Board of Directors on July 15, 2025, not to exceed $160,000,000. The sale of the bonds will be finalized no later than September 25, 2025.

Residential Finance Program Bonds, Issue 2025-2, were sold on September 18, 2025. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2025-2	7/1/2026 –1/1/2056	$160,000,000	2.8 – 6.25

Residential Finance Program Bonds, Issue 2025-3, were authorized by the Board of Directors on September 8, 2025, not to exceed $150,000,000. The sale of the bonds will occur no later than December 31, 2025.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Retirement Plan Within TCRS

	THDA's Proportion of the Net Pension Liability (Asset)	THDA's Proportion-ate Share of the Net Pension Liability (Asset)	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.410941%	$2,049	$8,922	22.97%	97.61%
2024	0.418332%	4,618	8,687	53.16%	94.48%
2023	0.423141%	5,041	8,826	57.12%	93.80%
2022	0.419379%	(2,566)	8,852	28.99%	103.30%
2021	0.434725%	7,122	9,623	74.01%	90.58%
2020	0.445278%	6,288	10,040	62.63%	91.67%
2019	0.433148%	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportion-ate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.648657%	$58	$14,899	0.39%	99.07%
2024	0.627143%	45	11,479	0.39%	101.03%
2023	0.671072%	167	9,790	1.71%	104.81%
2022	0.671032%	569	8,496	6.70%	121.71%
2021	0.653018%	230	7,475	3.08%	112.90%
2020	0.628303%	261	5,893	4.43%	122.36%
2019	0.198493%	77	4,410	1.75%	132.39%
2018	0.170803%	35	3,068	1.14%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.451710%	13	498	2.61%	142.55%

To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Retirement Plan Within TCRS

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2025	$1,913	$1,913	-	$8,611	22.21%
2024	1,959	3,192	(1,233)	8,922	35.77%
2023	1,898	3,351	(1,453)	8,687	38.57%
2022	1,809	2,867	(1,058)	8,826	32.49%
2021	1,791	1,791	-	8,852	20.23%
2020	1,892	1,892	-	9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Additional contributions were made to the plan by the State of Tennessee on behalf of the Tennessee Housing Development Agency for the years ended June 30, 2022, 2023, and 2024.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2025	$461	$461	-	$16,916	2.73%
2024	383	383	-	14,899	2.57%
2023	283	283	-	11,479	2.47%
2022	182	182	-	9,790	1.86%
2021	153	153	-	8,496	1.80%
2020	129	129	-	7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.83%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total/net OPEB liability	Employer proportion-nate share of the collective total/net OPEB liability	Covered-employee payroll	Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	OPEB plan fiduciary net position as a percentage of the total OPEB liability
2025	0.161100%	($128)	$8,210	1.56%	106.41%
2024	0.165910%	662	8,690	7.69%	68.40%
2023	0.158027%	1,119	9,229	12.74%	39.00%
2022	0.166138%	1,185	9,903	12.84%	39.00%
2021	0.165964%	1,389	8,999	14.03%	25.20%
2020	0.173649%	1,653	9,720	18.37%	18.30%
2019	0.240000%	3,351	10,046	34.47%	-
2018	0.266480%	3,378	-	35.62%	-

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from thattrust. The transition resulted in a significant increase to the discount rate from 3.6 % to 6.0%.

This change would be reflected in the June 30, 2020, reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total OPEB liability	Primary government proportionate share of the collective total OPEB liability related to THDA	Covered-employee payroll	Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll
2025	0.00%	$279	$9,751	0%
2024	0.00%	309	9,440	0%
2023	0.00%	279	9,625	0%
2022	0.00%	352	10,020	0%
2021	0.00%	436	10,457	0%
2020	0.00%	345	9,529	0%
2019	0.00%	311	10,005	0%
2018	0.00%	339	10,046	0%

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	$149	$110	$39	$8,039	1.37%
2024	241	118	123	8,210	1.44%
2023	250	127	123	8,782	1.46%
2022	290	130	160	9,229	1.48%
2021	362	139	223	9,903	1.51%
2020	415	142	273	8,999	1.43%
2019	373	209	164	9,720	2.32%

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

Exhibit A

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2025
(Expressed in Thousands)

	Operating Group	Mortgage Finance Group	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 145,644	$ 25,787	$ 2,442	$ 478,818	$ 652,691
Investments	$ -	$ 223	$ 2,030	$ 252,171	$ 254,424
Investment in Real Estate Owned (REO) properties	$ -	$ -	$ -	$ 4,714	$ 4,714
Receivables:					
Accounts	$ 9,594	$ 688	$ 117	$ 4,347	$ 14,746
Interest	$ 26	$ 28	$ 201	$ 19,675	$ 19,930
Loans held for resale	$ 4,482	$ -	$ -	$ -	$ 4,482
First and second mortgage loans	$ -	$ 2,623	$ 1,704	$ 78,896	$ 83,223
Due from federal government	$ 50,333	$ -	$ -	$ -	$ 50,333
Due from other state funds	$ 5,713	$ -	$ -	$ -	$ 5,713

Due from other funds	$ -	$ -	$ -	$ 30,461	$ 30,461
Total current assets	$ 215,792	$ 29,349	$ 6,494	$ 869,082	$ 1,120,717
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	$ 30,737	$ -	$ 1,277	$ 159	$ 32,173
Investments	$ -	$ -	$ 2,649	$ 91,950	$ 94,599
Investment interest receivable	$ -	$ -	$ 23	$ 651	$ 674
Investments	$ -	$ 999	$ 1,982	$ 436,225	$ 439,206
First mortgage loans receivable	$ 8	$ 49,788	$ 36,155	$ 2,981,795	$ 3,067,746
Allowance for non-performing first mortgage loans	$ -	$ -	$ (12)	$ (355)	$ (367)
Second mortgage loans receivable	$ -	$ -	$ -	$ 134,399	$ 134,399
Allowance for uncollectable second mortgages	$ -	$ -	$ -	$ (5,214)	$ (5,214)
Unamortized service release premium of in house mortgages	$ 2,033	$ -	$ -	$ 24,680	$ 26,713
Unearned service release premium	$ 3,419	$ -	$ -	$ -	$ 3,419
Advance to local government	$ 3,146	$ -	$ -	$ -	$ 3,146
Allowance for doubtful accounts	$ (3,146)	$ -	$ -	$ -	$ (3,146)
Net OPEB asset	$ 128	$ -	$ -	$ -	$ 128
Capital assets:					
Furniture and equipment	$ 16,058	$ -	$ -	$ -	$ 16,058

Less accumulated depreciation	$ (12,864)	$ -	$ -	$ -	$ (12,864)
Total noncurrent assets	$ 39,519	$ 50,787	$ 42,074	$ 3,664,290	$ 3,796,670
Total assets	$ 255,311	$ 80,136	$ 48,568	$ 4,533,372	$ 4,917,387
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	$ -	$ -	$ -	$ 22	$ 22
Deferred outflows related to pensions	$ 3,902	$ -	$ -	$ -	$ 3,902
Deferred outflows related to OPEB	$ 227	$ -	$ -	$ -	$ 227
Deferred outflows related to defeased bonds	$ -	$ -	$ -	$ 830	$ 830
Total deferred outflows of resources	$ 4,129	$ -	$ -	$ 852	$ 4,981
LIABILITIES					
Current liabilities:					
Accounts payable	$ 46,372	$ 11	$ -	$ -	$ 46,383
Accrued payroll and related labilities	$ 1,163	$ -	$ -	$ -	$ 1,163
Compensated absences	$ 1,583	$ -	$ -	$ -	$ 1,583
Due to primary government	$ 100	$ -	$ -	$ -	$ 100
Interest payable	$ 19	$ -	$ 534	$ 74,160	$ 74,713
Escrow deposits	$ 17,281	$ -	$ -	$ -	$ 17,281
Prepayments on mortgage loans	$ 2	$ -	$ 21	$ 2,095	$ 2,118
Line of credit payable	$ 4,233	$ -	$ -	$ -	$ 4,233

Due to other funds	$ 30,461	$ -	$ -	$ -	$ 30,461
Bonds payable	$ -	$ -	$ 3,670	$ 204,535	$ 208,205
Total current liabilities	$ 101,214	$ 11	$ 4,225	$ 280,790	$ 386,240
Noncurrent liabilities:					
Bonds payable	$ -	$ -	$ 27,617	$ 3,683,423	$ 3,711,040
Compensated absences	$ 4,016	$ -	$ -	$ -	$ 4,016
Net pension liability	$ 2,107	$ -	$ -	$ -	$ 2,107
Escrow deposits	$ 20,755	$ 70	$ -	$ 5	$ 20,830
Arbitrage rebate payable	$ -	$ -	$ -	$ 1,944	$ 1,944
Unearned revenue	$ 112,861	$ 1,001	$ -	$ 14,808	$ 128,670
Total noncurrent liabilities	$ 139,739	$ 1,071	$ 27,617	$ 3,700,180	$ 3,868,607
Total liabilities	$ 240,953	$ 1,082	$ 31,842	$ 3,980,970	$ 4,254,847
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	$ 1,100	$ -	$ -	$ -	$ 1,100
Deferred inflows related to OPEB	$ 1,461	$ -	$ -	$ -	$ 1,461
Total deferred inflows of resources	$ 2,561	$ -	$ -	$ -	$ 2,561
NET POSITION					
Investment in capital assets	$ 3,194	$ -	$ -	$ -	$ 3,194
Restricted for single family bond programs	$ -	$ 14,534	$ 16,726	$ 553,254	$ 584,514
Restricted for grant programs	$ -	$ 17,596	$ -	$ -	$ 17,596

Restricted for net OPEB asset	$	128	$	-	$	-	$	-	$	128
Unrestricted	$	12,604	$	46,924	$	-	$	-	$	59,528
Total net position	$	15,926	$	79,054	$	16,726	$	553,254	$	664,960

Exhibit B

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025
(Expressed in Thousands)

	Operating Group	Mortgage Finance Group	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES					
Mortgage interest income	$ 386	$ 83	$ 1,873	$ 147,112	$ 149,454
Investment income:					
Interest	$ 401	$ 344	$ 215	$ 35,491	$ 36,451
Net increase in the fair value of investments	$ -	$ 362	$ 193	$ 27,776	$ 28,331
Federal grant administration fees	$ 29,140	$ -	$ -	$ -	$ 29,140
Fees and other income	$ 18,481	$ 296	$ -	$ 643	$ 19,420
Total operating revenues	$ 48,408	$ 1,085	$ 2,281	$ 211,022	$ 262,796
OPERATING EXPENSES					
Salaries and benefits	$ 34,974	$ -	$ -	$ -	$ 34,974
Contractual services	$ 21,265	$ -	$ -	$ -	$ 21,265

Materials and supplies	$ 1,996	$ -	$ -	$ -	$ 1,996
Rentals and insurance	$ 23	$ -	$ -	$ -	$ 23
Other administrative expenses	$ 9,019	$ -	$ -	$ -	$ 9,019
Other program expenses	$ 10,504	$ -	$ 16	$ 2,710	$ 13,230
Interest expense	$ 190	$ -	$ 1,008	$ 136,949	$ 138,147
Issuance costs	$ -	$ -	$ -	$ 2,648	$ 2,648
Amortization: service release premium	$ 106	$ -	$ -	$ -	$ 106
Depreciation	$ 1,787	$ -	$ -	$ -	$ 1,787
Total operating expenses	$ 79,864	$ -	$ 1,024	$ 142,307	$ 223,195
Operating income (loss)	$ (31,456)	$ 1,085	$ 1,257	$ 68,715	$ 39,601
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	$ 548,583	$ -	$ -	$ -	$ 548,583
Payment from primary government	$ 148	$ -	$ -	$ -	$ 148
Federal grants expenses	$ (548,416)	$ -	$ -	$ -	$ (548,416)
Local grants expenses	$ (7,294)	$ -	$ -	$ -	$ (7,294)
Total nonoperating revenues (expenses)	$ (6,979)	$ -	$ -	$ -	$ (6,979)
Income (loss) before transfers	$ (38,435)	$ 1,085	$ 1,257	$ 68,715	$ 32,622
Transfers to other funds	$ -	$ (1,657)	$ (386)	$ (41,987)	$ (44,030)
Transfers from other funds	$ 44,030	$ -	$ -	$ -	$ 44,030
Change in net position	$ 5,595	$ (572)	$ 871	$ 26,728	$ 32,622
Total net position, July 1	$ 12,878	$ 79,626	$ 15,855	$ 526,526	$ 634,885

Cumulative effect of a change in accounting principle	$ (2,547)	$ -	$ -	$ -	$ (2,547)
Total net position, July 1, as restated	$ 10,331	$ 79,626	$ 15,855	$ 526,526	$ 632,338
Total net position, June 30	$ 15,926	$ 79,054	$ 16,726	$ 553,254	$ 664,960

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(Expressed in Thousands)

	Operating Group	Mortgage Finance Group	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:					
Receipts from customers	$ 1,505	$ 1,991	$ 5,703	$ 596,925	$ 606,124
Receipts from federal government	$ 28,193	$ -	$ -	$ -	$ 28,193
Receipts from other funds	$ -	$ -	$ -	$ 1,255	$ 1,255
Other miscellaneous receipts	$ 18,481	$ 296	$ -	$ 642	$ 19,419
Acquisition of mortgage loans	$ -	$ -	$ -	$ (447,779)	$ (447,779)
Payments to suppliers	$ (46,493)	$ -	$ (25)	$ (3,274)	$ (49,792)
Payments to other funds	$ (1,255)	$ -	$ -	$ -	$ (1,255)
Payments to or for employees	$ (35,638)	$ -	$ -	$ -	$ (35,638)
Net cash provided (used) by operating activities	$ (35,207)	$ 2,287	$ 5,678	$ 147,769	$ 120,527

Cash flows from non-capital financing activities:					
Operating grants received	$ 549,553	$ -	$ -	$ -	$ 549,553
Payment from primary government	$ 148	$ -	$ -	$ -	$ 148
Transfers in (out)	$ 44,030	$ (1,657)	$ (386)	$ (41,987)	$ -
Proceeds from sale of bonds	$ -	$ -	$ -	$ 512,858	$ 512,858
Operating grants paid	$ (561,753)	$ -	$ -	$ -	$ (561,753)
Cost of issuance paid	$ -	$ -	$ -	$ (2,648)	$ (2,648)
Principal payments	$ -	$ -	$ (2,625)	$ (304,995)	$ (307,620)
Interest paid	$ (193)	$ -	$ (1,133)	$ (136,819)	$ (138,145)
Net cash provided (used) by non-capital financing activities	$ 31,785	$ (1,657)	$ (4,144)	$ 26,409	$ 52,393
Cash flows from capital and related financing activities:					
Purchases of capital assets	$ (386)	$ -	$ -	$ -	$ (386)
Net cash used for capital and related financing activities	$ (386)	$ -	$ -	$ -	$ (386)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	$ -	$ 5,964	$ 6,002	$ 740,157	$ 752,123
Purchases of investments	$ -	$ (1,000)	$ (6,198)	$ (919,391)	$ (926,589)

Investment interest received	$	401	$	344	$	208	$	33,410	$	34,363
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	$	-	$	237	$	24	$	9,216	$	9,477
Net cash provided (used) by investing activities	$	401	$	5,545	$	36	$	(136,608)	$	(130,626)
Net increase (decrease) in cash and cash equivalents	$	(3,407)	$	6,175	$	1,570	$	37,570	$	41,908
Cash and cash equivalents, July 1	$	179,788	$	19,612	$	2,149	$	441,407	$	642,956
Cash and cash equivalents, June 30	$	176,381	$	25,787	$	3,719	$	478,977	$	684,864
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:										
Operating income (loss)	$	(31,456)	$	1,085	$	1,257	$	68,715	$	39,601
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
eciation	$	1,787	$	-	$	-	$	-	$	1,787

Changes in assets and liabilities:					
Accounts receivable	$ (1,573)	$ 268	$ (89)	$ (270)	$ (1,664)
Mortgage interest receivable	$ 11	$ 2,068	$ 17	$ (1,278)	$ 818
Unamortized service release premium of in-house mortgages	$ 2,252	$ -	$ -	$ (1,764)	$ 488
Unearned service release premium	$ (1,715)	$ -	$ -	$ -	$ (1,715)
Pension asset	$ 45	$ -	$ -	$ -	$ 45
Pension liability	$ (2,511)	$ -	$ -	$ -	$ (2,511)
Deferred pension outflows	$ 2,061	$ -	$ -	$ -	$ 2,061
Deferred OPEB outflows	$ 179	$ -	$ -	$ -	$ 179
Loans held for resale	$ 2,420	$ -	$ -	$ -	$ 2,420
Mortgage loans receivable	$ 3,146	$ -	$ 3,902	$ 1,090	$ 8,138
Due from federal government	$ (948)	$ -	$ -	$ -	$ (948)
Interfund receivables	$ -	$ -	$ -	$ 1,255	$ 1,255
Interfund payables	$ (1,255)	$ -	$ -	$ -	$ (1,255)
Accounts payable	$ 952	$ 22	$ (9)	$ (124)	$ 841
Accrued payroll / compensated absences	$ (10)	$ -	$ -	$ -	$ (10)
Due to primary government	$ 6	$ -	$ -	$ -	$ 6
Unearned revenue	$ (5,946)	$ (450)	$ -	$ 2,468	$ (3,928)
Line of credit payable	$ (2,584)	$ -	$ -	$ -	$ (2,584)

Arbitrage rebate liability	$ -	$ -	$ -	$ 1,347	$ 1,347
OPEB liability	$ (662)	$ -	$ -	$ -	$ (662)
OPEB asset	$ (128)	$ -	$ -	$ -	$ (128)
Deferred pension inflows	$ 954	$ -	$ -	$ -	$ 954
Deferred OPEB inflows	$ (21)	$ -	$ -	$ -	$ (21)
Investment income included as operating revenue	$ (401)	$ (706)	$ (408)	$ (63,267)	$ (64,782)
Interest expense included as operating expense	$ 190	$ -	$ 1,008	$ 136,949	$ 138,147
Issuance cost included as operating expense	$ -	$ -	$ -	$ 2,648	$ 2,648
Total adjustments	$ (3,751)	$ 1,202	$ 4,421	$ 79,054	$ 80,926
Net cash provided (used) by operating activities	$ (35,207)	$ 2,287	$ 5,678	$ 147,769	$ 120,527
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	$ -	$ 8	$ 111	$ 14,155	$ 14,274
Total noncash investing, capital, and financing activities	$ -	$ 8	$ 111	$ 14,155	$ 14,274