

INVITATION TO LENDERS TO PARTICIPATE IN:

**ARIZONA HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2009**

SINGLE FAMILY LOAN PROGRAM

PLEASE RETURN TO:

**Mr. Carl Kinney
Arizona Housing Finance Authority
1110 West Washington St., Suite 310
Phoenix, Arizona 85007
Phone: (602) 771-1091
Fax: (602) 771-1039
Email: carl.kinney@azhousing.gov**

**ARIZONA HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2009**

INVITATION TO LENDERS TO PARTICIPATE

Arizona Housing Finance Authority (the "Authority") invites you to apply for participation in a new program (the "Program") for single family residential housing to be financed with the proceeds of the Authority's Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), Series 2009 (the "Bonds"). The Program offers mortgage loans for qualified individuals in the State of Arizona, except for the counties of Maricopa and Pima (which include the cities of Phoenix and Tucson) the ("Program Area"). No commitment fee will be required from participating lenders.

The Bonds will be issued and the proceeds will be used to acquire mortgage-backed securities guaranteed by GNMA backed by pools of qualifying FHA-insured, VA-guaranteed or USDA-RHS-guaranteed single family mortgage loans ("Mortgage Loans") made to finance newly constructed or existing residences to eligible mortgagors under the Program. A total maximum principal amount of \$25,000,000 of Mortgage Loans will be available under the Program. No Conventional Mortgage Loans will be available under the Program, although the Authority retains the right to allow such loans in the future.

The Eligible Loan Area for the Program is the State of Arizona, excluding the Counties of Maricopa and Pima (which Counties include the Cities of Phoenix and Tucson, Arizona).

The Mortgage Loans will be made available through one or more Commitment Lots established by the Authority. Origination of Mortgage Loans under the Program will be undertaken on a first-come, first-served basis, and each Lender may originate Mortgage Loans as long as reservations remain available with respect to the related Commitment Lot. The Lenders must sell Mortgage Loans to the Master Servicer in conformity with the requirements of the Agreement (as defined below). Upon establishment of a Commitment Lot, the Lenders will be notified immediately of the related Mortgage Loan interest rate, the related origination period and the final sale date of the Mortgage Loans to the Master Servicer. A separate Commitment Lot may be established for Targeted Area Loans.

The Program will be subject to the terms of an Origination, Sale and Servicing Agreement (the "Agreement"). A copy of the form of the Agreement will be provided to each Lender for review and must be executed prior to any Lender's participation in the Program. Each Lender will also be required to attend a Lender training session prior to reserving funds for Mortgage Loans under the Program. Pursuant to the Agreement, Mortgage Loans will be originated by lending institutions participating in the Program (each a "Lender"). Each Lender will agree to originate Mortgage Loans under the Agreement and sell and assign all Mortgage Loans it originates and the servicing in connection therewith to U.S. Bank Home Mortgage-MRBP Division (the "Master Servicer"), acting as the master servicer for the Program. The Master Servicer will purchase all Mortgage Loans and all related servicing from Lenders.

Qualifying Mortgage Loans will be loans that are made to persons and families residing within the Program Area whose annual family income does not exceed the applicable Federal and State Income Limit (the initial limits are set forth below). The Agreement also provides that the residence acquired must be the principal residence of the Mortgagor, and, except in the case of residences located in certain federal targeted areas, each Mortgagor must not have held a present ownership interest in a principal residence at any time during the last three years. In addition, qualifying Mortgage Loans are subject to certain purchase price limitations (the initial limits are set forth below), insurance requirements and other conditions of the Authority, the Federal Housing

Administration, the Department of Veterans Affairs, and GNMA, as more completely described in the Offer, the Agreement and the Notice of Availability of Funds with respect to the Bonds (such documents, together with this Invitation to Participate, collectively called the "Program Documents"). The Agreement, as supplemented by the Commitment Lot Notices, will be the principal document setting forth the rights and obligations of the Lenders and the Master Servicer under the Program.

Each lending institution must be approved by the Issuer and/or the Master Servicer to participate in the Program. Following submission of the Offers by lending institutions that wish to participate in the Program, such approval will be based on the Master Servicer's review of the qualifications and experience of each lending institution and its ability to originate Mortgage Loans in accordance with the terms and conditions set forth in the Program Documents.

A DETAILED SUMMARY OF THE PROGRAM IS SET FORTH BELOW AS EXHIBIT A.

Each Lender:

1. must be authorized to originate Mortgage Loans in the State of Arizona; and
2. the Lender Questionnaire and enclosures for such Lender cannot contain any material adverse information with respect to the Lender (as determined in the sole discretion of the Master Servicer).

In addition, each Lender must be an FHA-approved, VA-approved and/or USDA-RHS mortgagee in good standing (to originate FHA-insured Mortgage Loans, VA-guaranteed Mortgage Loans and USDA-RHS Mortgage Loans, respectively).

Procedure:

Each lending institution is required to submit to the Authority:

- 1) One completed copy of the Lender Questionnaire (attached hereto as Exhibit B);and
- 2) Lender Contact Information (attached hereto as Exhibit C)

Offers shall be delivered by fax or mail and questions directed to:

Mr. Carl Kinney
Arizona Housing Finance Authority
1110 West Washington St., Suite 310
Phoenix, Arizona 85007
Phone: (602) 771-1091
Fax: (602) 771-1039
Email: carl.kinney@azhousing.gov

**EXHIBIT A
PROGRAM SUMMARY**

**ARIZONA HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2009**

- THE BONDS:** The Arizona Housing Finance Authority (the “Authority”) intends to issue single-family mortgage revenue bonds (the “Bonds”) in the total principal amount of \$25,000,000. The total principal amount of Mortgage Loans will be approximately \$25,000,000. The Bond proceeds will be used to purchase mortgage-backed securities backed by the Mortgage Loans. Such securities (the “Certificates”) will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”).
- THE MORTGAGE LOANS:** The Mortgage Loans will be originated by qualified lending institutions (the “Lenders”) pursuant to the provisions of the 2009 Single Family Mortgage Revenue Bond Program (the “Program”) to finance the acquisition of eligible single-family residences (the “Residences”) by qualified borrowers (the “Borrowers”).
- TERM:** 30-year, fixed rate, level payment loans.
- TYPE:** **Only FHA-insured (including Section 184 loans), VA-guaranteed, and USDA-RHS-guaranteed loans are eligible Mortgage Loans under the Program. (Conventional Mortgage Loans are not currently eligible for the Program.)**

MANUFACTURED HOUSING LOANS

Manufactured Housing Loans are permissible ONLY when originated as an FHA-insured loan. FHA-approved documentation must be used to originate manufactured housing loans. Manufactured homes must be built after 1978, be at least a double-wide configuration, be affixed to a permanent foundation, and be taxed as real estate.

- MORTGAGE RATES:** One or more Commitment Lots will be established in connection with the Program. A different loan interest rate may be set for each Commitment Lot. It is anticipated that all Mortgage Loans delivered with respect to a Commitment Lot will bear the same interest rate for each loan type.
- PROGRAM REQUIREMENTS:** For all Mortgage Loans, the following requirements must be met:
- Property must be undamaged by fire, windstorm or other hazard;
 - Mortgagor(s) credit score is a minimum of 620
 - Debt-to income ratios do not exceed 31%/43%
 - The annual household income and home purchase price do not exceed current Program limits
 - Mortgagor(s) have provided a Completion of Homebuyer Education Certificate from an acceptable homebuyer education program
 - Mortgagor(s) have not owned a principal residence home in the last three years

- Mortgagor's minimum cash investment of \$1,000 has been paid from mortgagor's own verified assets;
- Down payment assistance funds received by mortgagor have been applied to the transaction and are verified on the HUD-1 Settlement Statement; such funds must be applied to offset any required down payment or to pay for closing costs;
- Seller has not advanced funds, solicited or induced funds to be advanced by another, directly or indirectly for the payment of any amount required by the loan, except to the extent specifically provided by Authority lending programs;
- A title insurance policy satisfactory to Authority insures the mortgagee's interest;
- All settlement and closing costs paid, outside of pre-pays or borne by either party to the transaction have been disclosed, itemized and clearly explained on a closing or settlement statement, a copy of which was furnished to the Borrower(s) and the Property Seller prior to closing
- All underwriting requirements of the underlying loan product (i.e. FHA, VA or RD) have been satisfied;
- All insurer/guarantor loan requirements have been met; and
- Manufactured homes must be built after 1978, must be double-wide, permanently affixed to a foundation and be taxed as real estate.
- Non-occupant co-signors are not allowed.
- Property must be inspected by a licensed, qualified, third party home inspection company. Inspection must be acceptable to buyer.
- A one year home warranty provided by a licensed home warranty company must be provided for all previously occupied homes
- For newly constructed homes, a one year Builder's warranty along with a 2-10 warranty will be required.

DOWN PAYMENT ASSISTANCE: Down payment assistance and closing cost assistance ("Assistance") is expected to be available under the Program and will be administered by the Lenders. The Assistance will be in an amount up to 5% of the sale price of the home. The Lenders will make the determination that the borrower(s) meet the requirements of the MRB program and the requirements for receiving Assistance, and will advance the Assistance funds at the time of closing. Lenders will be reimbursed the amount of the Assistance advanced when the Mortgage Loan is purchased from the Master Servicer. The Lender will be responsible for preparing a Deed of Trust and any other required documents to secure any required repayment of the Assistance.

The Assistance will be in the form of a grant which will be repayable in whole or in part if the residence is sold or refinanced, or the home is no longer occupied as a principal residence, within 5 years of loan closing. The repayment requirement, which starts at 100% of the grant, will decline by 20% of the original grant amount on each anniversary of the loan closing. The repayment will be secured by a deed of trust or other encumbrance recorded as a lien on the property.

ORIGINATION PERIOD: The Program will have a minimum 9-10 month total Origination Period for all Commitment Lots. For each Commitment Lot, Lenders will have a maximum of approximately four or five months (such time to be determined by the Issuer and can vary by Commitment Lot) to deliver Mortgage Loans originated for each Commitment Lot to the Master Servicer for purchase; also, the Lender must deliver a Mortgage Loan to the Master Servicer for purchase within one month of the respective Mortgage Loan closing date.

POINTS: Total discount and origination points will be 1.00%.

LOAN PURPOSE: The Program will be limited to the acquisition of Eligible Residences, which must be occupied by the Homebuyer and must be the Primary Residence of the Borrower.

ELIGIBLE BORROWERS: Borrowers under this Program must meet the first-time homebuyer requirement (that is, they cannot have had an ownership interest in a primary residence in the past three years), and Borrowers purchasing Eligible Residences located in a Targeted Area.

PURCHASE PRICE LIMITS: The current maximum Purchase Price Limits for the Program are set forth below:

Location	1-Family Unit		2-Family Unit	
	Non-Targeted Areas	Targeted Areas	Non-Targeted Areas	Targeted Areas
Apache County	\$245,752	\$300,364	\$314,606	\$384,519
Coconino County	393,203	480,582	503,344	615,199
Gila County	283,980	347,087	363,538	444,325
Mohave County	281,796	344,417	360,742	440,907
Navajo County	269,781	329,733	345,364	422,111
Pinal County	302,548	369,781	387,305	473,373
Yavapai County	340,776	416,504	436,237	533,179
All Other Counties	236,839	289,470	303,203	370,582

INCOME LIMITS: The current Maximum Income Limits for Eligible Borrowers are:

Location	2 or Fewer Persons		3 or More Persons	
	Non-Targeted Areas	Targeted Areas	Non-Targeted Areas	Targeted Areas
Coconino County	\$60,900	\$73,080	\$70,035	\$79,676
Pinal County	65,900	79,080	75,785	79,676
All Other Counties	60,400	72,480	69,460	79,676

ELIGIBLE RESIDENCES: Include (i) single-unit, owner-occupied, detached residences, and (ii) two-unit residences if one of the units is occupied by the owner and the property must be at least five years old; and (iii) subject to the requirements of GNMA, FHA, VA, USDA-RHS, as applicable, condominiums, and townhouses.

RECAPTURE TAX: Mortgage Loans originated under the Program will be subject to the Federal Recapture Tax.

PROGRAM AREA: Mortgage Loans may be made to Eligible Borrowers for Eligible Residences located anywhere within the geographical boundaries of the State of Arizona, except for the Counties of Maricopa and Pima (which include the Cities of Phoenix and Tucson) (the “Program Area”).

FEDERAL TARGETED AREAS & RESERVATION: 20% of the amount available for origination will be reserved (unless the Authority implements a target area funding agreement), for a period of twelve months from the program start date, for loans made in Targeted Area census tracts. The census tracts, based upon the 2000 U.S. Census, are:

Apache	940100 944200	942600 944300	942700	944100
Cochise	000600	000900		
Coconino	000800	001000	941100	944500
Gila	940200	940400		
Graham	940500			
La Paz	020100	020500		
Mohave	940400	951700	951800	
Navajo	940300 944500	941000 944700	942400 944800	944400
Pinal	941100	941200		
Santa Cruz	996402			
Yuma	000301 000700	000302 001300	000401 011401	000402 011600

MASTER SERVICER: The Master Servicer for the Program is U.S. Bank Home Mortgage-MRBP Division.

Point Structure

Commitment fees paid at Bond Closing by Lenders	0.00%
Total points (discount + origination) charged buyers/sellers	1.00%
Servicing release fee paid to Lenders (at time of purchase of loan by Master Servicer)	1.00%
Net Lender Compensation	2.00%

**EXHIBIT B
LENDER QUESTIONNAIRE**

**ARIZONA HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2009**

GENERAL

Type of Organization: Savings and Loan Commercial/Savings Bank
 Mortgage Company Other:

Lender Name: _____

State and Year of Incorporation: _____

Name of Holding Company (if any): _____

LENDER CONTACTS

Please provide the main contact person for receiving all Program-related information (including correspondence, confirmations, Lender Guide, etc.).

Contact Name _____

Title _____

Street Address _____

P.O. Box Address _____

City, State and Zip _____

Telephone Number _____ Fax Number _____

Email Address: _____

For advertising purposes, please list the participating branch offices for the Program including address, contact person, telephone, email and fax number. (It is the initial intent to provide a list of participating lenders, listing the participating branch locations with a single phone number for each branch.)

NOTE: If applying lender is a mortgage broker, it must also make arrangements directly with US Bank Mortgage Revenue Bond Correspondent Division, David Sparks, for any services the lender may require in order to participate in the program.

ORIGINATION-RELATED INFORMATION

Is the applicant an FHA-approved lender?

Yes ___ No ___

Is the applicant a VA-approved lender?

Yes ___ No ___

Is the applicant a USDA-RHS-approved lender?

Yes ___ No ___

Is the applicant a Fannie Mae-approved lender?

Yes ___ No ___

Is the applicant a Freddie Mac-approved lender?

Yes ___ No ___

Has the applicant ever been suspended by FHA, Fannie Mae or Freddie Mac?

Yes ___ No ___ If yes, attach description of suspension(s).

Has applicant ever had its approval to do business with any private mortgage insurer withdrawn?

Yes ___ No ___ If yes, attach explanation.

Have any investors or purchasers of the applicant's mortgage loans terminated any agreements for cause?

Yes ___ No ___ If yes, attach explanation.

Has applicant been previously involved or currently involved in any lawsuits pertaining to the origination or servicing of mortgage loans, or are any such lawsuits pending? Yes ___ No ___ If yes, attach explanation.

If approved by Fannie Mae, does applicant maintain Quality Control Procedures which have been approved by Fannie Mae?

Yes ___ No ___

If approved by Freddie Mac, does applicant maintain Quality Control Procedures which have been approved by Freddie Mac?

Yes ___ No ___

Has the applicant ever been involved in bankruptcy or similar proceedings? Yes ___ No ___ If yes, attach description of proceedings.

Has applicant ever had any errors and omissions policy or fidelity bond policy terminated? Yes ___ No ___

If yes, attach explanation. Please attach evidence of valid Errors & Omissions/Fidelity Bond coverage.

It is understood that all information in this Lender Questionnaire may be used by the Authority (and its agents) and the Master Servicer to review and approve this application. The applicant hereby authorizes such use and certifies to its best belief and knowledge, that the information presented in the Lender Questionnaire, and any other information provided to the Authority and the Master Servicer, is true and accurate. In certain instances, estimates have been made based upon reasonable assumptions using such reliable sources of data and information as are available to the applicant.

Applicant Name: _____

Title: _____

Lender Name: _____

Date: _____

EXHIBIT C
US Bank Home Mortgage - MRBP Division
Lender Contact Information / Authorization

BOND PROGRAM: _____

Lender Name: _____

Mailing Address: _____

Main Phone Number: _____

Main Fax Number: _____

Website (if applicable) _____

MERS ID # (if applicable): _____

Name _____

Main Contact: _____ Phone: _____ Fax: _____

Main Contact E-mail: _____

Underwriting Manager: _____ Phone: _____ Fax: _____

Underwriting E-mail: _____

Shipping Supervisor: _____ Phone: _____ Fax: _____

Shipping E-mail: _____

Shipping Staff: _____ Phone: _____ Fax: _____

Processing Manager: _____ Phone: _____ Fax: _____

Processing E-mail: _____

Exception Contact: _____ Phone: _____ Fax: _____

Exceptions E-mail: _____

Final Documents: _____ Phone: _____ Fax: _____

Final Docs E-mail: _____

Lender Scorecard Recipient: _____ Phone: _____ Fax: _____

SCORECARD E-MAIL: _____

Wire Instructions:

Bank Name: _____

ABA Number: _____ Account Number: _____

Account Name: _____

Purchase Advice Attn: _____ Phone: _____

Fax # for Purchase Advice: _____

E-Mail address: _____

Authorized Signature: _____

Fax this completed authorization form to: 866-640-1285 - Attn: Heather Rivera -OR-
Scan and email this completed authorization form to: mrpb.helpdesk@usbank.com

Updated – 03-27-08