THE PROGRAM

Mortgage Loans

The Program was established to provide multifamily housing for (1) elderly persons and families with a head of household over 58 years of age, who reside in the State and who have incomes which do not exceed the State's median household income; and (2) disabled persons with a disability that requires special housing provisions to accommodate the disability and whose disability arises from (a) mental retardation or other developmental disability, (b) severe and persistent mental or emotional disturbance, or (c) a physical impairment or traumatic brain injury substantially limiting ambulation. Under the Program, the Department makes permanent below-market interest rate Mortgage Loans to private, public or nonprofit developers. Pursuant to the Act, Mortgage Loans are made for new construction, acquisition, and/or substantial rehabilitation. Multifamily housing means a structure or facility which provides more than one living unit, and may provide spaces for common use by the occupants in social and recreational activities, including but not limited to mobile home parks and residential facilities licensed under Oregon Revised Statutes Sections 443.000 to 443.455, and other congregate care facilities with or without domiciliary care. The Program does not include nursing homes, hospitals, places primarily engaged in recreational activities or single-family detached dwellings except manufactured dwellings situated in a mobile home and manufactured dwelling park.

Mortgage Loans financed from the proceeds of the Bonds must have a principal balance not exceeding the lesser of development costs or 85% of the value of the property securing the Mortgage Loan, as determined through an appraisal by or acceptable to the Department, unless the Mortgage Loan is insured in which case the principal balance may be in an amount of up to 100% of the appraised value of the development. Under the Act and the Indenture, the Department may make interim loans with the proceeds of Bonds to finance the construction of developments to be permanently financed by the proceeds of Bonds. Such interim loans must be insured or guaranteed by a third party having no direct interest in the interim loan.

The Department has issued 35 series of Bonds to provide funds to finance Mortgage Loans under the Program. As of July 1, 2001, the Department had financed 467 Mortgage Loans in an aggregate original principal amount of $263,475,366 for 333 developments, containing a total of 6,543 dwelling units, from the proceeds of prior series of Bonds. Nine (9) of these developments, containing 713 dwelling units, are receiving housing assistance payments under Section 8 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974 ("Section 8"). Construction has been completed on each of the developments. As of July 1, 2001, the aggregate outstanding principal balance of Mortgage Loans financed under the Program was $228,936,708. Information concerning developments which have been financed with the proceeds of Bonds and residential housing developments which may be financed with the proceeds of the 2001 Series Bonds is contained in Tables I and II of this Official Statement.

Processing Procedures

The following is a description of procedures which the Department generally follows in selecting and approving proposed developments under the Program, monitoring construction and monitoring the compliance of marketing and management practices with Department standards. In the case of Mortgage Loans assisted under Section 8, the Department may vary from the procedures and requirements set forth below to comply with the requirements of the U.S. Department of Housing and Urban Development. The Department's processing procedure is divided into two stages: application conference and application package. There may be variation in particular cases and the Department's policies, procedures and requirements may be waived or modified from time to time.

Application Conference. Before accepting an application for a loan, the Department will meet with a prospective sponsor at a pre-application conference. At the conference, the following items will be discussed: type of loan requested; type of prospective sponsor's company (sole proprietorship, partnership, corporation, nonprofit, etc.) and qualifications; requested loan amount, terms and interest rate; any time constraints on the prospective sponsor or agency; fees; loan reserve and equity requirements; debt service ratio appraisal requirements; contractor's cost estimate and qualifications; management and maintenance plans; project management requirements, reports, and qualifications; loan servicer requirements, qualifications, procedures; and agreement, design and related requirements; document requirements; construction procedures; Department loan processing procedures; eligibility requirements under federal regulations and State law; cash contributions needed for bond issuance; and any other items pertinent to the proposed project.

At the conclusion of the application conference, if the prospective sponsor and the Department agree to proceed with the application process, the Department will agree to accept an application from the prospective sponsor.

Application. After receiving a completed loan application package from the sponsor, the Department evaluates each project for consistency with the Department's interpretation of sound architectural and planning principles and sound underwriting standards. To qualify for a loan, a project must be approved by the Department with respect to site, location, market demand, and financial feasibility; qualifications of general contractor, management agent and developer; appraisal, financial strength and credit worthiness of the prospective sponsor; management plan, final architectural package, organizational documents, title report and any other information the Director prescribes, meet all applicable State and local land use and zoning requirements, housing codes, and similar requirements; be in compliance with federal regulations, state statutes and Program rules; and be located in the State of Oregon.

The technical staff of the Department, including the Housing Development Specialist, Housing Management Specialist and Architect, reviews each application and prepares a proposal and recommendation to the State Housing Council for approval or disapproval of each loan over $100,000.

Upon application approval by the Department and the State Housing Council, as needed, and receipt of all documents, the Department issues a written commitment. Such commitment may be subject to future availability of loan funds. Each sponsor is required to pay a commitment fee and may be required to pay a good faith deposit to cover estimated costs of issuing the related series of Bonds. If the commitment conditions are not completed by the dates specified in the commitment, the commitment shall expire, unless the Department grants an extension in writing.

Construction. Arrangement for construction financing may be made by the sponsor with private lending institutions or with the Department. During construction and upon completion of each project, the Department conducts inspections for sponsor's compliance with the plans and specifications previously approved by the Department.

Acquisition. For acquisition and rehabilitation loans, the Department must approve the certification of completion of work on repairs from the general contractor and owner, and the certification of completion of work required on dry rot/termite inspection report by the general contractor and the termite inspector.

Loan Closing. The Department disburses loan funds when all conditions of the commitment are satisfied, a notice of completion has been properly posted and recorded, and the Department has approved the final cost certification; contingency escrow account; certificate of occupancy from the local government; commercial leases; ground leases; any other leases; tax abatement approval; American Land Title Association (ALTA) mortgagee's title insurance policy from the title company of the sponsor's choice showing the Department in a first lien position; any licenses required by the State; appliance, furniture, and fixture list including serial numbers; UCC documents and filing forms; certificate or policy of insurance for fire and extended coverage, liability, business income and flood insurance (if applicable), with the appropriate loss deductible; and all other reasonable requirements of the Department.

Servicing. The Department has entered into an agreement with Siuslaw Valley Bank in Eugene, Oregon to service Mortgage Loans made by the Department. The current servicing agreement between the Department and the servicer requires the servicer to promptly collect and remit monthly mortgage payments, to provide a monthly accounting of such payments, and to maintain applicable escrows for the payment of property taxes and insurance premiums as they become due.

Prepayments of Mortgage Loans. Loan Agreements with respect to Mortgage Loans financed with proceeds of the Bonds generally restrict the sponsor or owner of the Development from voluntarily prepaying a Mortgage Loan without the prior consent of the Department. To date, the Department has not consented to the voluntary prepayment of a Mortgage Loan under the Program. However, there can be no assurance (1) that the Department will not change its current policy of not permitting voluntary prepayment of such Mortgage Loans and (2) that it may not in the future consent to prepayment of such Mortgage Loans.

Loan or Other Agreement. Each development is subject to a loan or other agreement between the Department and the mortgagor which regulates the use of revenues; specifies standards and provisions for the management and maintenance of the development; establishes and regulates certain accounts, escrows, and reserve funds; and establishes dates for financial reporting.

The sponsor may be required to fund four reserve accounts. Prior to closing a Mortgage Loan the Department may require the mortgagor to establish a contingency escrow account which may be funded by an amount of up to 3% of the principal amount of the Mortgage Loan. The contingency escrow account is held to the order and benefit of the Department and cannot be funded from operating receipts of the development. The Department may disburse funds from the contingency escrow account to pay delinquent operating expenses and principal and interest on the Mortgage Loan, to maintain the required balance in the replacement cost reserve account, to correct development defects, and to cure breaches of obligations of the mortgagor. The contingency escrow account must be maintained for three years and may be reduced each year, with approval of the Department, by one-third of the original amount if the mortgagor is in compliance with the terms of the loan agreement. The Department generally will not require a contingency escrow account in connection with group care homes whose residents receive federal or State financial assistance. The loan agreement may require the mortgagor to establish a rental reserve account prior to loan closing. The Department requires such a reserve when, in its judgment, the operating receipts of the development will not be sufficient, during the rent-up period, to pay all operating expenses and principal and interest on the Mortgage Loan. The rental reserve account provides funds in an amount sufficient to ensure that all operating expenses and principal and interest during the rent-up period are paid. The rental reserve account may be funded with cash or a letter of credit in an amount determined by the Department. The Department estimates the rent-up period on a development-by-development basis, but for newly constructed elderly housing projects the Department expects the rental reserve account to cover a period ranging from six to 24 months. Group care homes for disabled persons typically will not have a rent-up period which requires a rental reserve account to be established. When the operating receipts of the development are sufficient to pay operating expenses and principal and interest on the Mortgage Loan, the rental reserve account may be terminated. An escrow account may be required for property taxes and insurance. With each payment on the Mortgage Loan, funds are deposited into an escrow account to ensure sufficient funds are on hand to pay the annual property taxes and insurance premiums relating to the development when due. An escrow account may also be required for the cost of replacements. With each monthly payment on the Mortgage Loan, funds are deposited in an escrow account to pay for extraordinary maintenance and repairs or replacement of capital items of the development. In the event of default, the Department may apply the amount on deposit in the account to the payment of any amount due on the Mortgage Loan following acceleration.

Regulatory Agreement. A regulatory agreement will be signed by each developer of a project financed with the 2001 Series Bonds, and recorded in the real property records for each project.

If a mortgagor violates any provision of the loan agreement or regulatory agreement and after notice does not correct a violation within 30 days, the Department may declare a default, and in addition to actions permitted under the deed of trust in the event of default, apply to any court for (1) specific performance of the covenants and agreements, (2) an injunction against any violation of the covenants and agreements, or (3) the appointment of a receiver to operate the development.

The Department may also take possession of the development and collect rents and operate the development until such time as the Department determines that the mortgagor is again in a position to operate the development in accordance with the terms of the loan agreement. The Department may terminate the management agent, with cause, at its sole discretion, and appoint a new management agent.

Monitoring Developments. Prior to initial occupancy, Department staff holds conferences with the sponsor and management agent to be sure they are aware of all Department management requirements. During and after rent-up, Department staff reviews the applications of tenants and reviews the records of the management agent to ensure compliance with Department standards.

The Department staff generally conducts annual site reviews of each development to monitor management and maintenance practices. All vacancies or changes in occupancy must be reported to the Department on a monthly basis, except for the group care homes. The Department requires at least a quarterly income and expense statement and an annual financial statement for each development.

OUTSTANDING ELDERLY AND DISABLED HOUSING BONDS

The following table shows the principal amount of Bonds that have been issued and were outstanding as of July 1, 2001.

Series	Dated	Amount Issued	Amount Outstanding (1)	Final Maturity
1989 Series A	June 1, 1989	$ 7,000,000	$ 4,505,000	2030
1990 Series A	January 1, 1990	5,305,000	4,535,000	2020
1990 Series B	January 1, 1990	9,395,000	8,005,000	2020
1990 Series C	September 1, 1990	4,190,000	1,735,000	2021
1990 Series D	September 1, 1990	15,810,000	13,285,000	2021
1992 Series A	June 1, 1992	11,985,000	8,910,000	2013
1992 Series B	June 1, 1992	56,505,000	50,240,000	2024
1992 Series C	June 1, 1992	14,695,000	12,135,000	2022
1992 Series D	June 1, 1992	9,020,000	7,885,000	2022
1993 Series A	April 1, 1993	11,140,000	9,700,000	2024
1993 Series B	December 1, 1993	11,060,000	9,975,000	2026
1993 Series C	December 1, 1993	13,915,000	12,880,000	2026
1994 Series A	May 1, 1994	9,440,000	5,050,000	2025
1994 Series B	September 1, 1994	24,400,000	22,055,000	2026
1995 Series A	June 1, 1995	14,100,000	12,105,000	2026
1995 Series B	December 1, 1995	24,240,000	17,535,000	2027
1996 Series A	November 1, 1996	2,850,000	1,930,000	2027
1996 Series B	November 1, 1996	10,605,000	10,125,000	2027
1997 Series A	September 1, 1997	8,475,000	8,180,000	2028
1998 Series A	October 1, 1998	8,870,000	7,750,000	2029
1998 Series B	October 1, 1998	10,285,000	10,285,000	2030
1998 Series C	October 1, 1998	1,880,000	1,650,000	2029
1999 Series A	May 1, 1999	10,840,000	10,335,000	2030
1999 Series B	May 1, 1999	4,485,000	4,465,000	2031
1999 Series C	May 1, 1999	1,335,000	1,140,000	2005
1999 Series D	November 1, 1999	5,695,000	5,435,000	2030