

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 1195242

November 17, 2011

State of Hawaii
677 Queen Street, Suite 300
Honolulu, HI 96813
Attention: Mr. Kalbert Young, Director of Finance

Re: ***US\$7,005,000 Hawaii Housing Finance & Development Corporation, Hawaii, Single Family Mortgage Purchase Refunding Revenue Bonds, Series 2011A***

US\$12,995,000 Hawaii Housing Finance & Development Corporation, Hawaii, Single Family Mortgage Purchase Refunding Revenue Bonds, Series 2011B

Dear Mr. Young:

Pursuant to your request for a Standard & Poor's rating on the above-referenced issuer, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as negative. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

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To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,



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Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

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Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US\$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.

November 18, 2011

Summary:

Hawaii Housing Finance And
Development Corp.; Single Family
Multiple MBS

Primary Credit Analyst:

Alexis Laing, San Francisco (1) 415-371-5019; alexis_laing@standardandpoors.com

Secondary Contact:

Karen Fitzgerald, San Francisco (1) 415-371-5023; karen_fitzgerald@standardandpoors.com

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Summary:

Hawaii Housing Finance And Development Corp.; Single Family Multiple MBS

Credit Profile

US\$12.995 mil Single Family Mtg Purchase Rfdg Rev Bnds ser 2011B due 01/01/2026		
<i>Long Term Rating</i>	AA+/Negative	New
US\$7.005 mil Single Family Mtg Purchase Rfdg Rev Bnds ser 2011A due 01/01/2019		
<i>Long Term Rating</i>	AA+/Negative	New
Hawaii Hsg Fin & Dev Corp sin fam mtg bnds (various ser)		
<i>Long Term Rating</i>	AA+/Negative	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Hawaii Housing Finance and Development Corp.'s (HHFDC) series 2009A-1 and 2011B single family mortgage purchase revenue bonds and series 2011A single family mortgage purchase refunding revenue bonds. At the same time, Standard & Poor's affirmed its 'AA+' rating on the corporation's single-family mortgage purchase revenue parity bond program. The outlook on all ratings is negative.

The ratings reflect our opinion of:

- The strong credit quality of the collateral backing the bonds,
- Investments that are commensurate with the rating on the bonds,
- Sufficiency of revenues to pay debt service and fees when due, and
- The sovereign rating on the U. S. (AA+/Negative).

Should the U. S. be upgraded to 'AAA' and the bond program meet all criteria commensurate with a 'AAA' rating, the rating on the bonds will be upgraded.

The series 2009A-1 bonds represent \$30 million of program bonds, owned by the U.S. Treasury, that are being converted from the \$100 million of escrowed program bonds that were allocated to HHFDC under the New Issue Bond Program (NIBP). In addition, HHFDC will simultaneously issue \$20 million in new market bonds under series 2011A and 2011B, in accordance with the NIBP.

The agency will acquire Ginnie Mae and Fannie Mae guaranteed mortgage-backed securities (MBS) for the new series. Ginnie Mae MBS are secured by mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration and carry the full faith and credit of the U.S. government. Fannie Mae MBS are secured by conventional loans and have the implied support of the U.S. government; they, therefore, qualify as 'AA+' eligible collateral. The mortgage loans will be made to qualifying borrowers throughout the state.

Cash flows modeled under various origination and prepayment scenarios indicate that assets and revenues are sufficient to pay full and timely debt service plus fees. A deposit by the authority covers negative arbitrage and an

assumed 30-day mortgage payment lag for the bonds. Until MBS are acquired, bond proceeds will be held in investments, the quality of which is commensurate with the rating on the bonds. All funds will be held in commensurate investments through bond maturity.

The indenture currently utilizes guaranteed investment contracts provided by Societe Generale (A+/Stable/A-1), Trinity Plus Funding Co. (AA+/Stable/A-1+), and WestLB AG (BBB+/Negative/A-2). The investment of these funds represents less than 30% of total assets under the indenture.

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities.

There is no Standard & Poor's 17g-7 Disclosure Report included in this credit rating report because, in our view, there are no representations, warranties, or enforcement mechanisms available to investors.

Outlook

The negative outlook reflects that on the U. S. sovereign rating.

Related Criteria And Research

- USPF Criteria: Single-Family Whole Loan Programs, June 14, 2007
- USPF Criteria: Single-Family Mortgage-Backed Securities Programs, June 13, 2007

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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